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Report to the House and Senate Committees on Appropriations by the Comptroller General of the United States

ORIGINAL

SUMMARIES OF CONCLUSIONS AND RECOMMENDATIONS ON THE OPERATIONS OF CIVIL DEPARTMENTS AND AGENCIES

This is a summary of GAO's conclusions and recommendations resulting from its audits and other review work in the Operations of Civil Departments and Agencies on which satisfactory legislative or administrative actions have not been taken. These summaries are compiled to assist congressional committees in their review of budget requests for fiscal year 1983. Previous GAO reports brought these matters to the attention of the congressional and departmental officials.

COMPLETED
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United States Senate

This is our annual report of summaries of GAO conclusions and recommendations resulting from our audits and other review work in the Federal civil departments and agencies on which satisfactory legislative or administrative actions have not been taken. We believe that it is important for GAO to continually follow up on these recommendations and, as such, are currently working to improve our follow-up efforts. We believe these efforts will result in a better report.

The summaries will be of interest to your committees in their review of budget requests for fiscal year 1983. Our reports have previously brought these matters to the attention of the Congress and departmental officials. We have not included suggested questions to be asked in appropriations hearings; however, we will suggest specific questions on the items summarized if you desire.

A report of conclusions and recommendations concerning the Department of Defense (OISS-82-2) is being submitted separately.

We are sending copies of this report to the Federal civil departments and agencies so they may be in a position to answer any inquiries made on these issues during the appropriations hearings.

Sincerely yours,

Charles A. Bowsher

Comptroller General
of the United States

Prev
OISS-80-02
OIM-79-02
HRD-78-23
HRD 77-33

INTRODUCTION

This report contains abstracts of GAO reports with recommendations open as of October 1, 1981. In addition to summarizing the reports, the abstracts present the affected agency's comments and actions since the report was issued, the particular appropriations affected by the report and, where applicable, issues of special concern which the Appropriations Committees should act on or consider.

In addition to a Table of Contents, this report contains two reference indexes. The Budget Function Index lists the titles of reports under function categories by which Federal funds are appropriated and identified in the Federal Budget. Under each heading in the Agency/Organization Index are the titles of reports which deal with that particular department, agency, bureau, or organization. Both indexes also include page numbers where the reader may find summaries of the reports.

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AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Federal Agencies Should Be Given Multiyear Contracting Authority for Supplies and Services (PSAD-78-54, 1-10-78)

Budget Function: General Government: Other General Government (0806)
Legislative Authority: Federal Property and Administrative Services Act (40 U.S.C. 481). Adequacy of Appropriations Act (41 U.S.C. 11). Antideficiency Act (31 U.S.C. 665). (P.L. 90-378; 10 U.S.C. 2306(g)). Small Business Act. 15 U.S.C. 631(a). 10 U.S.C. 712a. 20 Comp. Gen. 437. 33 Comp. Gen. 57. 33 Comp. Gen. 90. 42 Comp. Gen. 272. 43 Comp. Gen. 657. S. 2309 (94th Cong.). S. 3005 (94th Cong.) S. 1264 (95th Cong.). S. 1491 (95th Cong.).

Federal agencies operating under annual appropriations generally are prohibited from entering into contracts for needs occurring beyond the year for which the appropriation is made. Multiyear contracts entitle the Government to purchase services or supplies from contractors for more than 1 year. The Commission on Government Procurement has recommended that Congress enact legislation to permit multiyear contracting of supplies and services using annual or multiyear appropriations.

Findings/Conclusions: Federal agencies with either funding or statutory authority for multiyear procurement benefit from reduced contract prices and other advantages. Annual savings of $3 million resulting from multiyear procurement were identified on 26 contracts having an annual cost of $14 million. The benefits of multiyear procurement include: contract prices may be reduced for agency service and supply needs, Federal agencies' administrative costs can be reduced, the quality of performance and service could increase, and competition could increase for the initial award of a Government contract. Generally, the advantages of multiyear procurement outweigh the disadvantages.

Recommendations: Congress should enact legislation authorizing multiyear procurement for Federal agencies and provide for the Office of Federal Procurement Policy to develop appropriate criteria for use of the procurement method, require responsible agency officials to determine when the criteria are met, and provide for the payment of cancellation costs.

Agency Comments/Action

The agencies commented that the advantages of multiyear procurement outweigh the disadvantages and that it would be an advantageous procurement method. They concurred with the recommendations regarding the need for multiyear contracting authority and the development of criteria for its use. No significant events have happened since the report was issued.

Appropriations

Procurement - All Federal agencies

Appropriations Committee Issues

GAO believes Congress should enact legislation authorizing general multiyear contracting authority for Federal agencies and provide for the Office of Federal Procurement Policy to develop appropriate criteria to guide the agencies in its use.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Need for Overall Policy and Coordinated Management of Federal Retirement Systems (Volumes I & II) (FPCD-78-49, 1-29-78)

Budget Function: Income Security: Federal Employee Retirement and Disability (0602)
Legislative Authority: Employee Retirement Income Security Act of 1974. Career Compensation Act of 1941. Contingency Option Act, 1953. Dual Compensation Act, 1964. Civil Service Reform Act of 1978. Foreign Service Act of 1946. Civil Service Retirement Act of 1942. Agricultural Credits Act of 1923. Home Loan Bank Act of 1932. Social Security Amendments of 1956. Social Security Amendments of 1967. Social Security Amendments of 1977. Social Security Act. P.L. 95-256. P.L. 95-472. P.L. 95-179. P.L. 95-366. S.R. 244, 95th Cong. B-184705 (1975). 5 U.S.C. 8344(a). 5 U.S.C. 2105.

At the request of three House committee/subcommittee chairmen, GAO studied the desirability of establishing a mechanism to provide coordinated management of all retirement systems for Federal personnel in the executive, legislative, and judicial branches.

Findings/Conclusions: Federal retirement programs have not received the management attention they deserve. The lack of overall Federal retirement policies has resulted in a patchwork of systems providing different benefits to various groups of employees. Based on this review, GAO believes a centralized focus on retirement matters would help assure that the system develop on a consistent and financially sound basis. No need was found for each retirement system to have its own independent administrator and separate congressional committee responsible for its oversight and legislative changes. GAO does not agree that preferential or special treatment being afforded many Federal personnel is justified or should be continued. In addition to the differences in benefit provisions, there are significant differences in the methods by which the systems are costed and funded. If all Federal employees are to be covered by consistent retirement provisions, a decision must be made on whether social security should be part of their retirement plan. The future development of the Government's retirement systems should be guided by principles and objectives embodied in an overall, coherent, Federal retirement policy.

Recommendations: The appropriate committees of Congress should hold hearings to evaluate in depth the issues raised in this report and to set in motion actions necessary to establish an overall Federal retirement policy and a mechanism for coordinating the management of Federal retirement systems. The necessary action would include: (1) establishment of Federal Retirement Policy which outlines the principles, objectives and standards to be followed in providing retirement benefits to military and civilian personnel; (2) a review of existing systems to determine the extent to which they need changes to conform to set established policy, including consolidation of systems wherever practical; (3) adoption of actuarial evaluation methods and funding provisions that reflect the full cost of accruing retirement benefits; (4) development of eligibility criteria for participation in a Federal retirement system; and (5) centralization of committee jurisdiction over retirement matters to better assure consistent application of policy. GAO believes the establishment of a permanent independent board with authority and responsibility for monitoring the development, improvement, and administration of Federal retirement systems is necessary.

Agency Comments/Action

Agencies responsible for administering the retirement systems agreed that an overall Federal retirement policy was needed, but agreed that separate systems should be continued. Early in the 96th Congress, the Chairman of the House Subcommittee on Compensation and Employee Benefits introduced a resolution calling for centralizing of committee jurisdiction over Federal pension plans. The Subcommittee plans to hold hearings next year on the issues raised in the report. Also, the report served to influence Congress in funding the President's Commission on Pension Policy. The Commission is making extensive use of the report in developing a national pension policy. GAO expects that Congress will take a significant step toward conforming military and civil service benefit calculations. The 1981 Defense authorization bill provided that military annuities be based on a high-three rather than final pay as is its current practice.

Appropriations

Personnel salaries and expenses - Government-wide

Appropriations Committee Issues

Inconsistent and inadequate costing and funding methods used for most Federal retirement programs should be corrected. It is imperative that the full costs of Federal retirement be recognized and funded on a consistent basis.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

The Federal Government Should but Doesn't Know the Cost of Administering Its Assistance Programs (GGD-77-87, 2-14-78)

Budget Function: General Government: Executive Direction and Management (0802)

Federal programs of assistance to State and local governments have grown in number during the past two decades, and costs have increased from an estimated $6.7 billion in fiscal year 1959 to an estimated $70 billion in 1977. Because of the growth and complexity of Federal assistance, legislative and executive officials have expressed a need for a better understanding of the program administration.

Findings/Conclusions: The Federal Government lacks a systematic method of determining what it costs to administer its numerous domestic assistance programs. Attempts to analyze and compare the efficiency of the various administrative methods used have had limited success, largely because of the lack of systems for reporting information on financial and staff resources used in administering individual programs. The percentage of available funds spent for administration under 72 programs studied ranged from 0.3 to 28.5 percent. Use of dollar and staff resources varied considerably for programs of similar size, distribution method, administrative network, service provided, and even within the same program from State to State. These variances reflect differences in methods and efficiency of program administration and demonstrate the need for systematic information collection and analysis. This information could be used to identify programs in which the following administrative improvements could be made: consolidation of small, inefficient programs; reduction of the number of levels involved in administering some programs; elimination of inefficient practices; and application of proven practices to new and existing programs.

Recommendations: The Director, Office of Management and Budget (OMB), in cooperation with Federal, State, and local agencies administering assistance programs, should take the leadership role in an effort to implement a Government-wide approach for accumulating, analyzing, and disseminating data on the financial and staff resources used in administering Federal assistance programs.

Agency Comments/Action

OMB agreed with the conclusion that better data are needed on the costs of administering Federal domestic assistance programs. GAO agreed to work with OMB through the Joint Financial Management Improvement Program (JFMIP). A JFMIP official advised that plans to do a pilot test have been approved but a starting date has not been selected. At the request of the Chairman, Subcommittee on Intergovernmental Relations and Human Resources, House Committee on Government Operations, a limited follow-up study was done on the Federal Government's efforts to determine the costs for administering its numerous domestic assistance programs. Federal agencies generally are not gathering information on financial and staff resources used in administering domestic assistance programs. As a result, the cost of various delivery methods is not known, and their efficiency is difficult to determine.

Appropriations

Various agencies

Appropriations Committee Issues

Information on the costs of administering Federal programs is needed to determine the efficiency of their administration and to find less costly ways to provide assistance. Administrative cost information would also strengthen "sunset" reviews by Congress. S. 807 (97th Congress), the Federal Assistance Improvement Act of 1981 approved by the Senate Committee on Governmental Affairs, would implement the GAO recommendation.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Administrative Law Process: Better Management Is Needed
(FPCD-78-25, 5-15-78)

Budget Function: General Government: Central Personnel Management (0805)
Legislative Authority: (P.L. 95-251; 92 Stat. 183). (P.L. 95-164; 91 Stat. 1290; 91 Stat. 1314). Administrative Procedure Act of 1946 (5 U.S.C. 3105). Regulatory Procedures Reform Act; S. 2490 (95th Cong.). Social Security Act. Classification Act of 1923. Executive Order 11222. Executive Order 10393. H.R. 14688 (91st Cong.).

More than 1,000 Administrative Law Judges (ALJ's) serve in 28 Federal agencies as quasi-judicial officers presiding at formal administrative hearings to resolve disputes. The Federal executive departments and agencies employ more than twice as many ALJ's as there are active judges in Federal trial courts, collectively process a larger case load, and affect the rights of more citizens than the U.S. courts. The Administrative Procedure Act sought to insure the ALJ's judicial capability and objectivity by precluding agencies from evaluating their performance and by assigning responsibility for determining their qualifications, compensation, and tenure to the Office of Personnel Management.
Findings/Conclusions: Although the judicative process was established to resolve conflicts promptly and fairly, timely decisions are not being made because the process is burdened with extensive agency review of ALJ's decisions and, in many instances, overformalization. These factors also increased costs and raised questions concerning the impartiality of agency decisions and the need for a highly formalized mechanism to resolve relatively simple disputes. The Administrative Procedure Act is not specific regarding responsibility for ALJ's personnel management functions; as a result, little is done to monitor ALJ's performance. Agencies are reluctant to attempt to manage ALJ's for fear it will be interpreted as an infringement on ALJ's independence. Similarly, the Office of Personnel Management has been reluctant to become actively involved in ALJ's personnel management. The results have been costly delays in the administrative judicatory process and less than desirable performance by an undetermined number of ALJ's.
Recommendations: Congress should amend the Administrative Procedure Act to: assign responsibility for periodic evaluation of ALJ's performance to a specific organization; clarify the extent to which the Office of Personnel Management can perform its normal personnel management functions in the case of ALJ's; and establish an initial probationary period of up to 3 years and thereby eliminate immediate, virtually guaranteed, appointment and tenure. Congress should also: establish criteria for deciding what degree of formality is required to provide fair decisions and amend legislation to clarify the agencies' power to adopt streamlined adjudication procedures; amend other legislation as necessary to provide for standards of review; and see that each agency employing ALJ's has taken steps to establish performance standards before additional ALJ's are given to agencies. The Office of Personnel Management should: encourage and assist the Administrative Conference in efforts to develop an ALJ's caseload accounting system; reexamine the need for selective certification at agencies where it is used; and evaluate future requests for its use on a case-by-case basis.

Agency Comments/Action

Little substantive action has been taken on the report's recommendations by the agencies employing Administrative Law Judges, as shown in the follow-on report "Management Improvements in the Administrative Law Process: Much Remains To Be Done," (FPCD-79-44, 5-23-79).

Appropriations

Various appropriations of those agencies which employ Administrative Law Judges

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Development of a National Make-or-Buy Strategy: Progress and Problems (PSAD-78-118, 9-25-78)

Budget Function: General Government: Executive Direction and Management (0802)
Legislative Authority: Department of Defense Appropriation Authorization Act, 1978 (P.L. 95-79). Department of Defense Appropriation Act, 1978 (P.L. 95-111). Monroney Amendment (P.L. 90-560; 5 U.S.C. 5341). Service Contract Act of 1965 (P.L. 89-286; 79 Stat. 1034). Economy Act. Intergovernmental Cooperation Act. Department of Defense Appropriation Act, 1956. Department of Defense Appropriation Authorization Act, 1975. P.L. 93-400. P.L.83-108. P.L. 95-269. P.L. 93-365. P.L. 84-157. 25 Stat. 423. 40 Stat. 1290. 10 U.S.C. 4532. 10 U.S.C. 9532. 31 U.S.C. 686. 42 U.S.C. 4222. 44 U.S.C. 501. 10 U.S.C. 138(c). 33 U.S.C. 622. 33 U.S.C. 624. 15 U.S.C. 631 (a). 5 U.S.C. 2105(a). Executive Order 11491. OMB Circular A-76.

There has been much controversy regarding the question of whether the Government should provide its own needed goods and services or contract for them with private enterprise. The Office of Federal Procurement Policy (OFPP) in the Office of Management and Budget (OMB) provides overall procurement policy direction for executive agencies. OMB Circular A-76 states that no executive agency will engage in or contract for commercial or industrial activities except in accordance with the provisions of the Circular, or as otherwise provided by law. Since 1976, there has been increased emphasis on contracting.

Findings/Conclusions: The stated policy has not been perceived as a national policy with full executive and legislative branch approval and support. Policy pronouncements and applications have been controversial; implementation has been inconsistent and relatively ineffective; and make-or-buy decisions have not necessarily been based on sound management principles. Management of the A-76 program needs acceptable management control systems, clarification of basic policy and regulations, clear identification of types of activities subject to the policy, consistent execution of the policy, and development of review and appraisal systems. Implementation has been hampered by confusion, lack of understanding, reluctance to carry out the program which was not integrated with agencies' main decisionmaking processes, and budgetary and accounting systems which did not always support the program. Agencies seldom prepared cost comparisons because of such difficulties as when and how to prepare them, and determining Government's and contractors' costs and comparability of pay rates. Agency make-or-buy decisions were significantly influenced by such factors as personnel ceilings, contract issues, labor-management policies, other procurement policies, personnel assignment policies, legislation, and Federal printing policy.

Recommendations: The Congress should endorse a national policy of reliance on private enterprise for the Government's needs to the maximum extent feasible and consistent with the national interest and procurement at reasonable prices, require executive agencies to report on their progress in supporting that policy, and direct reviews of existing related legislation to identify and eliminate sources of conflicts and inequities.

Agency Comments/Action

Agency comments were sent to the appropriate congressional committees concerning additional report recommendations made to OMB and OFPP for more effective implementation of the A-76 program. In general, OMB stated that the recommendations had already been initiated or would be initiated with a pending revision of Circular A-76. A new Circular A-76 was issued on March 29, 1979. The sense of the Congress about legislating a national policy has not crystalized.

Appropriations

All Federal agencies

Appropriations Committee Issues

The Committees should determine whether agency requests indicate that appropriate management attention is being given to the A-76 program because of its potential for more economical and effective government.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Federal Budget Outlay Estimates: A Growing Problem

(PAD-79-20, 2-9-79)

Budget Function: Impoundment Control Act of 1974 (1005)
Legislative Authority: Congressional Budget and Impoundment Control Act of 1974.

Federal budget outlay estimates generally swing between longfalls, or underestimates in the budget year, and shortfalls, or overestimates in the current year. The budget year estimates reflect the administration's concern about the growing deficit and the need to hold down spending. The shift to a shortfall, or overestimate in the current year's estimates (12 months later), reflects the administration's assessment of actual financial needs to carry out legislation enacted by Congress. The estimating process is flexible and changing and can be influenced by a number of variables. Many of these variables are uncontrollable, such as historic upward bias (the past tendency to overestimate). Budget data must be accurate to be useful and controllable factors should be of concern to improve outlay estimates.

Findings/Conclusions: As a result of increased interest in outlay estimates, both the Office of Management and Budget (OMB) and the Congressional Budget Office are striving to achieve more accurate estimates. GAO found that $76.4 billion in outlays was not included in fiscal year 1977 Government-wide net outlays of $402.8 billion. These outlays included both offsets from collections and receipts from business transactions with the public and outlays of off-budget Federal entities. Estimates of offsetting collections and offsetting receipts have not been reliable. The current method of presenting these transactions as offsets against budget authority and outlays distorts budget numbers and makes the budget unnecessarily complex.

Recommendations: The Director of OMB should make further efforts to improve outlay estimates by: establishing criteria for acceptable levels of accuracy for estimates, to be used as a guide in defining significant variances to be pursued; comparing actual outlays to estimates and providing a detailed explanation annually concerning those accounts in which there were significant variances; identifying corrective action to improve estimates in future years when such action is feasible; making information on variances and related corrective action available to congressional users and including it in budget justifications where appropriate; applying early efforts in goal setting and variance analysis toward accounts with the largest outlays; and requiring each agency to document the procedures used to develop outlay estimates, including documenting assumptions and subjective modifications made by reviewing officials. The Director should also: change the presentation of offsetting collections from non-Federal sources and offsetting receipts from the public by including them in revenue totals and by not subtracting them from budget authority and outlays; include offsetting collections and offsetting receipts from off-budget agencies under revenues and not subtract them from budget authority and outlays; and apply the recommendations set forth to improve outlay estimates to estimates of offsetting collections and offsetting receipts.

Agency Comments/Action

The OMB response to this report agreed that problems on outlay estimating have existed and stated that OMB will continue to work toward the further improvement of outlay estimates. However, OMB was very negative in its response to the report and stated that it "makes recommendations that, if adopted, would do nothing to improve the ability of GAO to estimate outlays." In contrast, OMB stated in the enclosure to its letter that it is already taking the recommended action in some form or to some extent in responding to five of the nine recommendations. Two of the GAO recommendations related to changing the presentation of offsetting collections and offsetting receipts from the public and to the treatment of off-budget agencies. OMB has resisted these recommendations directed toward elimination of undesirable distortions and complexity in the budget presentation for some time.

Appropriations

Federal budget outlay estimates - Government-wide

Appropriations Committee Issues

There is a continuing need to improve the accuracy of outlay estimates and to provide a more complete and accurate reporting of Federal budgetary information.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Contracting for Computer Software Development--Serious Problems Require Management Attention To Avoid Wasting Additional Millions

(FGMSD-80-4, 11-9-79)

Budget Function: Automatic Data Processing (1001)

Contracting for computer software can be an effective alternative to software development by Federal employees. However, a review of several software development contracts found that many experienced large cost overruns and lengthy delays. Certain problems were found to be common to all software contracts that had trouble.

Findings/Conclusions: Federal agencies contracted for software with little specific guidance. They often overestimated the stage of systems development they had reached before contracting. This overestimation often led to the issuing of inappropriate contracts using inadequate criteria for contractor performance. Agencies overcommitted themselves and failed to control contractors through strict phasing. Management failures while the work was being done included excessive changes, failures to inspect intermediate stages of work, and failure to require progress reports from the contractor. Contractual testing requirements were often inadequate or absent. Lack of a single identified contractor source for answers and interpretation of the requirements led to communications problems. The agencies were not enforcing recovery clauses.

Recommendations: The Secretary of Commerce, through the National Bureau of Standards, and the Administrator of the General Services Administration (GSA) should issue specific quidelines to assist Federal agencies in recognizing and dealing with the unique factors added to custom software development when it is done by contract. The following areas should be covered: (1) internal agency management practices necessary to write, manage, and monitor software development contracts; (2) specific instructions on how to tailor software development contracts to the state of system development that an agency is in at the time it lets a contract; (3) guidance on contract stipulations regarding the phasing of the software development; (4) guidance on performance specifications to be included in the contract to clarify quality requirements for the software; (5) the importance of requiring the software contractor to have a formal quality assurance program that is documented and subject to audit; (6) the degree of definition required to properly define such things as documentation standards, adherence to programming language standards, acceptance testing procedures, and satisfactory performance by the contractor; (7) how to handle changes in the software being developed with minimal disruption; (8) how to ensure that the contractor follows sound system development practices; and (9) the effective use of contract clauses which would deny payment in case of poor performance by the contractor. Federal agencies involved in software development contracting should train project managers in overall skills necessary to manage those contracts such as software, contracting, and management. They should also take appropriate action in each phase of software development contracting.

Agency Comments/Action

GSA published guidance, as recommended, in two documents, FPMR 1-151 and FPR 51, dated May 19, 1981.

Appropriations

Funds spent contracting for computer software development - All Federal agencies

Appropriations Committee Issues

The Appropriations Committees should monitor Federal agencies' use of the guidance documents when contracting for computer software development.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Improving the Productivity of Federal Payment Centers Could Save Millions (FGMSD-80-13, 2-12-80)

Budget Function: General Government: Other General Government (0806)
Legislative Authority: Civil Service Reform Act of 1978. 20 U.S.C. 2307. 31 U.S.C. 529. 41 U.S.C. 255.

Inefficiencies in processing payments to vendors for goods and services cost the Federal Government millions annually. For example, productivity rates achieved by Federal payment centers in the vendor bill-payment function varied by about 600 percent. Although the bill-payment function is a readily measurable, repetitive process, most payment centers GAO examined did not have productivity measures. Thus, GAO constructed many of the measures on which the performance data were based. GAO determined three primary reasons for the large variance: (1) the degree of management concern for, and use of, efficiency measures; (2) the volume of workload processed by the centers; and (3) the degree to which automation or improved processes and procedures were used in the payment process.

Findings/Conclusions: According to payment center managers, the major cause of low productivity was the disincentive to be efficient. These disincentives included: (1) across-the-board budget cuts, which encouraged managers to keep staff above minimum levels in order to absorb the cuts and still perform the work; (2) tying grade levels to number of staff supervised; and (3) inability of managers to discipline employees who do not perform. Alternatively, the managers of payment centers with high productivity showed a high degree of concern about productivity and had reasonably good systems designed to identify expected performance and measure against it. However, one nonprocedural factor that affected productivity was workload volume. Payment centers with large workloads normally achieved higher productivity rates than centers with low volumes. High volume allowed economies of scale and assembly-line techniques to be used. Just as automation and statistical sampling contributed to high productivity rates, duplication of effort, problems in timely submission of receiving reports, and limited sharing of knowledge on processing rates and methods used to improve efficiency contributed to the low processing rates. Newly enacted legislation should help make managers more acutely aware of the need for emphasizing productivity. However, GAO does not feel that legislation alone would result in a significant increase in productivity measurement. The Office of Personnel Management (OPM) needs to take an active role in supporting productivity measurements.

Recommendations: The heads of individual departments and agencies should develop systematic measures of productivity covering their payment centers. In addition, these departments and agencies in order to improve productivity should: (1) eliminate or consolidate payment centers which, due to low volume, cannot be made efficient; (2) use alternatives to receiving reports such as fast-pay procedures, where possible; (3) analyze the processes and procedures used in examining payment transactions to identify and eliminate unnecessary or redundant steps; (4) use statistical sampling techniques in auditing payment transactions in accord with GAO requirements; and (5) initiate a periodic exchange of information on methods and procedures between payment centers that are within the same agency and with other agencies. Additionally, for payment centers and related financial management functions, the Joint Financial Management Improvement Program has a role which OPM should consider drawing upon. GAO further recommends that the Executive Director, Joint Financial Management Improvement Program, request that agencies report the progress made in measuring and improving productivity within their payment centers as part of the agency's annual financial management improvement report.

Agency Comments/Action

The recommendations were strongly supported by most Federal agencies. OPM is planning a workshop for Federal agencies on the subject and most agencies are planning to implement the recommendations.

Appropriations

All Federal agencies

Appropriations Committee Issues

The Committees should determine if agencies are taking actions to improve the productivity of the payment process. They should also determine whether OPM and the Office of Management and Budget have taken actions to encourage productivity improvement in the payment process by developing standards and measures and using them in the budget process. In following up on this report, GAO found that agencies were generally in agreement that actions were needed but that their plans were vague.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Budget Formulation: Many Approaches Work but Some Improvements Are Needed (PAD-80-31, 2-29-80)

Budget Function: Impoundment Control Act of 1974 (1005)

GAO conducted a series of case studies of the budget formulation process in 10 Federal programs in the Departments of Defense, the Interior, and Health, Education, and Welfare.

Findings/Conclusions: The case studies revealed a variety of budget formulation styles. In some cases, budget requests were developed through "bottom-up" methods that involved field offices and no prior guidance or fixed request amounts from higher levels. In other cases, budgets were developed through "top-down" methods in which the request amount was set in advance at top levels and which entailed little or no field office work. Often, the approach followed related to the type of program, and no one approach appeared the best for all programs. Formulation weaknesses and potential problems requiring action were identified in the planning process, zero-base budgeting (ZBB) procedures, and in agencies' methods of reporting to the Congress.

Recommendations: The Secretary of the Interior should direct Bureau of Land Management (BLM) officials to consult with cognizant congressional committees as they develop a comprehensive multiyear plan for use in budget formulation. Such efforts should be devoted to developing a single set of principal categories for authorization and appropriations control. The Office of Management and Budget (OMB) and the executive agencies should achieve agreement during the spring on what programs and activities will receive comprehensive ZBB treatment during the upcoming budget cycle. In meetings with agencies, OMB should monitor and review agency plans for ZBB efforts and provide guidance as to the programs and activities on which agencies should perform full analyses of minimum levels, and the programs and activities that should be pulled from ZBB ranking "core" treatment and subjected to detailed analyses. The Director of OMB should also (1) consider establishing with individual agencies rotating schedules for full ZBB analyses of selected programs and activities; (2) include in the budget, in a single table and discussion, a comprehensive reporting by agency and account of the budget authority and outlay increases and decreases (with subtotals for each) associated with executive-proposed legislation; (3) include in the Budget Appendix and related justifications provided to the appropriations committees a Medicare summary table that would fully disclose the key funding and legislative proposals; and (4) revise budget request procedures for the BLM emergency fire program to provide for initial appropriation requests that fully reflect the total estimated yearly funding requirements of the program. Congress should (1) direct the Secretary of the Interior to consult with the Department of Agriculture in the development of an overall "Federal" program land acquisition plan for executive branch and congressional budget use that identifies priorities on the geographic areas and kinds of land to be acquired, and (2) appropriate initial funding each year for the BLM emergency fire program that covers the total estimated funding requirement of the program for the year.

Agency Comments/Action

OMB has eliminated stringent ZBB requirements, thus alleviating one of the problems addressed by the GAO recommendations.

Appropriations

Elementary and secondary education - Department of Education
Payments to health care trust funds, hospital insurance trust fund, Federal Supplementary Medical Insurance Trust Fund - Department of Health and Human Services, Health Care Financing Administration
Management of lands and resources - Department of the Interior, Bureau of Land Management
Land and water conservation fund - Department of the Interior, Heritage Conservation and Recreation Service
Operation and maintenance - Department of Defense

Appropriations Committee Issues

There is still a need for OMB and the agencies to streamline ZBB procedures (with appropriate OMB monitoring), and for OMB to present improved information in the budget on executive-proposed legislation and Medicare activities. Congress has been unwilling to put the BLM emergency fire program on a full funding basis.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

U.S. Income Security System Needs Leadership, Policy, and Effective Management (HRD-80-33, 2-29-80)

Budget Function: Income Security (0600)
Legislative Authority: Social Security Act. Employment Act of 1946. Railroad Retirement Act of 1935. Railroad Unemployment Insurance Act. Fair Labor Standards Act of 1938. Comprehensive Employment and Training Act of 1973. Privacy Act of 1974. Tax Reform Act of 1976.

Over the past 10 years, Federal income security spending has risen by nearly 250 percent to become the largest part of the budget. The 37 officially labeled income security and related programs in the 1979 Federal budget cost about $215 billion, or about 43 percent of the President's $500 billion budget. Income security tax expenditures, resulting from provisions of the income tax system which allow retention of income that otherwise would be taken through taxes, totaled about $30 billion. State and local programs usually supplement Federal programs or provide assistance to persons not eligible for Federal aid. Along with private sector and charitable activities, these programs account for billions of dollars in additional expenditures. Individually the programs serve worthwhile, necessary goals, and collectively they have done much to prevent or eliminate poverty and lessen tax burdens for millions of Americans. Still there is widespread criticism of the system; the programs are too profuse, too complex, and seem unmanageable. Unmet needs, inequities, inefficiencies, strong work disincentives, and questions about the Nation's continuing ability to meet income security needs and stay within acceptable spending levels remain.

Findings/Conclusions: Over the past 10 years, system studies have repeatedly documented income security program problems. The following situations tend to recur. The programs contribute to common goals, often serve the same individuals, and interact substantially with one another. There is a failure to view income security programs as a coherent whole or system within a well-defined policy framework. The fragmented and uncoordinated nature of the system complicates policymaking, management, and evaluation. The comprehensive knowledge and information needed to evaluate the system does not exist. Despite these findings, each program or set of related programs continues to be managed as a single entity with little deliberate planning of the relationship of the programs to one another. Because of data and measurement deficiencies, there is no way to determine who benefits, how often, with what degree of accuracy, and by what measure of social or economic need. Reform efforts cannot be measured for the extent of their improvement over existing programs. The reliability of traditional indices is questionable. At the program level, information is not consistent and is not readily available to compare programs. At the operating level, recent legislation has made exchanges of information difficult and sometimes untimely. Because the income security system affects virtually all individuals and sectors, all proposals for change will encounter some opposition. Lack of central leadership for the programs underlies many of the problems found.

Recommendations: While the recommended legislation is being developed, the President should direct the Office of Management and Budget and other executive agencies to begin working toward the goals outlined. If legislation is enacted, the President should direct that points of coordination be established for the income security body at appropriate levels within each affected executive agency. Congress should enact legislation to establish a national body, such as a National Income Security Commission, to provide central system leadership. In developing such legislation, Congress should determine, with the assistance of the executive branch and other experts and affected organizations, the body's (1) most appropriate organizational form, structure, and location; (2) authorities and jurisdiction; (3) membership, staff, and tenure; and (4) specific goals, duties, and functions. It is suggested that Congress in its deliberations consider constituting the body as an independent entity. It should serve in an overall advisory capacity to the Congress and the executive branch, with specific responsibility for standardizing program data and reporting requirements, conducting and promoting research, and similar duties. Its membership should be broad, representing Government and private organizations and groups. The body should have a long-term, continuing charter, subject to a periodic evaluation by Congress. While the legislation is being developed, Congress should establish select Senate and House committees or a joint committee to begin working toward the goals outlined.

Agency Comments/Action

Because of the numbers involved and the scope of matters discussed in the report, comments were not solicited from Federal departments and agencies. Rather, an expert-consultants panel with members from universities, research foundations, private interest organizations, and former Federal cabinet members reviewed and discussed the draft reports and suggested priority issues which the proposed independent income security group should address. These suggestions were incorporated into the report.

Appropriations

Appropriations for income security functions of various departments and agencies

Appropriations Committee Issues

The Appropriations Committee issues are the same as the recommendations to Congress.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Purchase Price of Strategic Petroleum Reserve Oil Fair But Payment Timing Is Costly (PSAD-80-30, 4-3-80)

Budget Function: National Defense: Department of Defense - Procurement & Contracts (0058)

The Defense Fuel Supply Center (DFSC) is responsible for buying oil for the Strategic Petroleum Reserve. According to Department of Energy expectations, the reserve will ultimately contain 1 billion barrels of oil at a cost of $22.6 billion for the first 750 million barrels. A review was made of the cost of the 113 million barrels of oil purchased through June 30, 1979.

Findings/Conclusions: The prices paid were competitive with prices in commercial markets during the period reviewed. However, the Defense Logistics Agency (DLA), which pays the DFSC bills, had not complied with Department of the Treasury regulations which require Federal agencies to refuse prompt payment discounts offering a rate of return below 9 percent per annum and to pay no bills sooner than due. This policy was designed to prevent agencies from accepting discounts whenever the discount offered is less than the Government's cost of financing the payments. DLA continued to take the uneconomical discounts and to pay invoices before they were due because DLA officials improperly calculated the rate of return offered, erroneously believed they were required to take uneconomical discounts in certain circumstances, and did not have established procedures to deliberately forgo uneconomical discounts. Following current Treasury policies could save the Government as much as $17.7 million over the remaining life of the Strategic Petroleum Reserve Program. An additional $18.5 million could be saved in crude oil costs if policies were instituted to require all agencies to consider the Government's cost of money while evaluating bids and if the Treasury were to develop and periodically revise an estimate of the cost of money to be used during offer and payment evaluations.

Recommendations: The Director of the Office of Management and Budget (OMB), in connection with the Secretaries of Defense and the Treasury and the Administrator of the General Services Administration (GSA), should (1) establish, as a matter of policy, that agencies must consider the time value of money as part of their bid evaluation procedures, and (2) establish and periodically update an index reflecting the Government's current cost of money to be used when evaluating prompt payment discounts and contract offers. The Secretary of Defense should direct the Director of DLA to establish regulations and procedures which assure that bills are not paid until due and uneconomical discounts are not taken.

Agency Comments/Action

DOD and GSA generally agreed with the recommendations. However, OMB saw some difficulties in including the "time value of money" as a bid evaluation factor. Treasury noted that, although it is in favor of measures taken by the agencies to give consideration to the time value of money in financial transactions, it generally opposes the use of current rates by agencies to evaluate competitive bids involving different terms for future payments. Instead, it prefers that consideration be given to the time value of money in procurement arrangements through the establishment of payment terms. It believes that by indicating the payment terms in the solicitation of bids, all bidders will be on the same basis with respect to the time value of funds and may submit their bids accordingly.

Appropriations

Strategic Petroleum Reserve - Department of Energy and various civil and defense agencies' appropriations

Appropriations Committee Issues

Agency actions are needed to (1) assure that bills are not paid until due and uneconomical discounts are not taken, (2) establish that the time value of money is considered in bid evaluation procedures, (3) establish and periodically update an index reflecting the Government's cost of money when evaluating prompt-payment discounts and contract offers. Prior to appropriating monies for the agencies, particularly Treasury, OMB, Defense, Energy, and GSA, the Committees should evaluate the efforts being made to achieve these economies.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Wider Use of Better Computer Software Technology Can Improve Management Control and Reduce Costs (FGMSD-80-38, 4-29-80)

Budget Function: Automatic Data Processing (1001)
Legislative Authority: OMB Circular A-54. OMB Circular A-71. OMB Circular A-109. OMB Circular A-113. F.P.M.R. 101-35.206. F.P.M.R. 101-35.206(a)(3). F.P.M.R. 101-36.16.

Computer software is the most important part of the automatic data processing system today. It is expensive to develop and maintain, and errors and omissions in software can seriously disrupt automated systems. Because the Federal Government spends billions of dollars annually on computer programs. GAO undertook a review to assess current practices by Federal agencies in using software tools and techniques to maintain computer programs.

Findings/Conclusions: GAO found that many opportunities exist for greater use of software tools and techniques. Many Federal installations have not exploited the benefits of modern software tools and techniques as well as they could have. Computer specialists at many agencies were unaware of the newer, better methods; others were reluctant to change to them. Additionally, GAO found that the Federal use of software tools and techniques can be improved by providing better guidance to agencies, more emphasis on software by management, and effective Government-wide coordination and sharing of tools. However, the agencies' adoption of the newer technology should be based on a careful study of all costs and benefits. Also, unless Federal automatic data processing management makes more use of such technology, Federal computer software will continue to cost millions more than is necessary.

Recommendations: The Director of the Office of Management and Budget should: (1) require heads of Federal agencies to establish software quality assurance functions in their agencies; (2) more clearly define the responsibilities of agency heads and automatic data processing managers for the acquisition, management, and use of software tools and techniques; and (3) direct the establishment of coordinated Government-wide research and development for software tools and techniques which will include provision for disseminating information to all potential Federal users. Additionally, the Administrator of the General Services Administration should: (1) modify Federal Procurement Management Regulation 101-35.206 to incorporate actions that agencies should take to improve their applications software; (2) establish a set of standard tools for solving operational problems and for promoting efficiency and economy; (3) require that certain standard inspections, using software tools, be done on contractor-developed software; and (4) establish a software tools category in the Federal Software Exchange Center and provide technical aid for the sharing of tools. Moreover, the National Bureau of Standards (NBS) should develop or adopt standards or guidelines for using software tools.

Agency Comments/Action

The GSA Office of Software Development (OSD) has (1) established a software tools category in the Federal Software Exchange Catalog, and (2) begun developing a set of software tools. The GSA Procurement Division has published guidance on acceptance testing of contractor-developed software (FPMR 1-151 and FPR 51).

Appropriations

General recommendations - All Federal agencies
Funding for specific recommendations - General Services Administration

Appropriations Committee Issues

The Committees should monitor all Federal agencies' compliance with the recommendations. GAO believes that the GSA-OSD should get sufficient funding to continue its efforts in this area.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Spending Authority Recordings in Certain Revolving Funds Impair Congressional Budget Control (PAD-80-29, 7-2-80)

Budget Function: Congressional Information Services (1008)
Legislative Authority: Congressional Budget Act of 1974 (P.L. 93-344; 2 U.S.C. 601). Independent Agencies Appropriations Act, 1979. Legislative Reorganization Act of 1970. Housing and Urban Development Act of 1965 (P.L. 89-117). Independent Agencies Appropriation Act, 1978 (P.L. 95-119). National Housing Act. Department of Agriculture and Related Agencies Appropriations Act, 1969. Participation Sales Act of 1966 (P.L. 89-429). Housing and Urban Development Act of 1968 (P.L. 91-121). Department of Agriculture and Related Agencies Appropriations Act, 1974. Budget and Accounting Act. P.L. 91-469. OMB Circular A-11. OMB Examiner's Handbook 124B. B-159687 (1976). B-114828 (1977). B-107449 (1973). 31 U.S.C. 1302. 42 U.S.C. 1487(h). 12 U.S.C. 635d. 17 U.S.C. 903. 68 Stat. 94.

Program administrators use budget authority to borrow amounts from Treasury or non-Treasury sources to finance their revolving fund loan programs. In some cases, this authority represents authorized net borrowings (gross borrowings less repayments) rather than authorized gross borrowings. As a consequence of this procedure, a program's gross borrowings in a fiscal year can easily exceed its recorded borrowing authority for the year. This gap between authority recorded in the budget and total borrowings can increase in succeeding years as recordings of borrowing authority are used for several cycles of borrowings, rolled over. For the fiscal years 1932-79, total actual borrowings from Treasury were an amount almost twice the amount of recorded authorizations. Programs in 22 accounts spanning 12 Federal departments and agencies had followed this procedure in 1979. These programs had outstanding borrowings from Treasury totaling about $96 billion.

Findings/Conclusions: GAO believes that Congress' budgetary control suffers when budget authority recordings for the revolving fund loan program express authorized net borrowings. Net-based recordings of borrowing authority do not disclose the full amount of obligational authority made available through authorized borrowings. Use of net-based borrowing authority amounts lessens budgetary consistency, complicating the budgetary process and making it more difficult for Congress to set priorities and make comparisons among programs. The budget authority recordings and totals for programs financed with appropriations represent gross, not net, funds. There are several programs in the budget in which borrowing authority recordings represent authorized gross borrowings, not net. Congress' budgetary control is weakened when agencies conduct several cycles of borrowings in the absence of new congressional authorizations. Conversion to gross-based borrowing authority in revolving fund loan programs would result in budget authority recordings that express more fully the obligational authority made available through borrowings. Such gross recordings still might not fully express total obligational authority made available, because total obligational authority also includes the collections made available through the cycle of program operations and assorted financing mechanisms. Budget authority recordings in these cases should encompass the authority to obligate funds whatever their source, including collections from program operations.

Recommendations: The Director of OMB should revise the way the definition of budget authority is applied to revolving fund loan programs so that budget authority for these programs is the amount of gross obligations or gross loan obligations authorized to be made. Congress, in reviewing revolving fund loan programs, should place specific limits on the gross obligations, or gross loan obligations, authorized to be made, and require that such limits be treated as the relevant budget authority amounts.

Agency Comments/Action

OMB disagreed with the recommendations to them, stating that the recommended change would conflict with customary budget procedure and inflate the budget authority totals of the budget.

Appropriations

Revolving funds - All Federal departments and agencies

Appropriations Committee Issues

The Committees should consider whether OMB should revise the way the definition of budget authority is applied to revolving fund loan programs.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Continuing and Widespread Weaknesses in Internal Controls Result in Losses Through Fraud, Waste, and Abuse

(FGMSD-80-65, 8-28-80)

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (1101)
Legislative Authority: Accounting and Auditing Act (31 U.S.C. 66a). Claims Collection Act. Anti-Deficiency Act (31 U.S.C. 665). S. 3026 (96th Cong.).

Most Federal agencies are operating accounting systems that are vulnerable to physical losses and waste of Federal money as well as fraudulent and otherwise improper uses. These conditions, noted in a series of GAO reports issued between December 1976 and October 1979 covering financial operations in 11 major Federal organizations, are summarized.

Findings/Conclusions: System vulnerability results from a series of longstanding, undetected weaknesses. While agencies usually correct specified deficiencies, they are generally slow to correct systemwide deficiencies in collection, disbursement, obligation, and imprest fund activities. Inadequate controls over collection could not ensure that amounts owed the Government were recorded as accounts receivable or that overdue accounts were identified and collected. Often, accounts receivable were so poorly controlled and safeguarded that the potential for theft, loss, or other misuse was high. Controls over disbursement activities were found to be deficient. Disregard for basic control procedures prescribed in manuals resulted in waste and overpayments. About half of the offices reviewed had serious weaknesses in controls over obligations that could result in improper or illegal payments. The most widespread deficiencies were noted in imprest fund activities. Weak controls, together with the susceptibility of imprest funds to misuse, allowed substantial losses to the Government. It was concluded that adequate internal audit coverage could have detected most of the deficiencies found. Legislation under consideration would place greater responsibilities on the heads of Federal agencies for improving their agencies' financial systems. Under this legislation, agencies would be required to undertake evaluations of their organizations' systems of internal control and report annually to Congress and to the President the results of such evaluations.

Recommendations: Congress should enact the legislation to place greater responsibility upon the heads of Federal agencies for the soundness of their organizations' systems of internal financial control.

Appropriations

All Federal agencies

Appropriations Committee Issues

The Committees should question agencies to determine whether their systems of internal financial and accounting controls provide adequate assurance for certifying expenditures. The questioning should develop information on the adequacy of resources agencies devote to the development and maintenance of their financial control systems and to correct weaknesses which would permit fraudulent or other improper uses of funds.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Agencies Should Encourage Greater Computer Use on Federal Design Projects (LCD-81-7, 10-15-80)

Budget Function: General Government: Other General Government (0806)
Legislative Authority: P.L. 92-582.

Federal agencies are not actively seeking or encouraging the use of computers on Federal design projects. As a result, they are missing opportunities to achieve significant savings and improve the quality of Federal building designs.
Findings/Conclusions: GAO found that Federal officials and agency procedures and practices often limit and/or hamper the use of computers on Federal projects. Agencies generally have not created an environment wherein the efficient use of computers is possible. Fee proposal forms used by most engineering services do not recognize the possible use of computers or provide a place for computer service costs to be included as direct costs in proposals. During contract negotiations, agency personnel rarely discuss the planned use of computers on a project. Even during the architect-engineer selection process, most agencies ignore computer capability.
Recommendations: The Administrator of the Office of Federal Procurement Policy, with the concurrence of the Director of the Office of Management and Budget, should promulgate an architect-engineer procurement policy which establishes that (1) fee negotiations will be based on proposals which clearly identify tasks which will be performed by firms providing architect-engineer services and, when applicable, indicate how computers will be used on the project; (2) procedures for pricing computer services will be flexible, as long as the method used is the same as the firm uses for all its clients, both public and private, and conforms with existing Federal Procurement Regulations; and (3) a structured task-oriented fee proposal format will be developed and the use of preprinted fee proposal forms will be discontinued, permitting architect-engineer firms to submit their fee proposals in the prescribed structured format on their own stationery. The heads of departments and agencies procuring architect-engineer services should encourage employees to stay current on new and improved uses of computers in their individual areas of expertise. The heads of departments and agencies procuring architect-engineer services should encourage computer use in all areas when the quality of the design or the structure to be built can be improved when computer aids are used. The heads of departments and agencies procuring architect-engineer services should require that architect-engineer contract negotiators routinely discuss and evaluate planned use of computers when negotiating design contracts. The heads of departments and agencies procuring architect-engineer services should provide appropriate training, such as courses, seminars, and newsletters, on the capabilities and uses of computers in design to their employees. Employees receiving this training should include those involved in selecting design firms, managing projects, and reviewing designs. The heads of departments and agencies procuring architect-engineer services should direct that computer use be required for those analyses and design functions which can be done more efficiently and accurately by computer-aided methods and which are critical to the end product, in terms of safety, energy consumption, and life cycle costs. The heads of departments and agencies procuring architect-engineer services should provide sufficient technical support to contract negotiating teams. This support should include personnel with sufficient knowledge about computer use and the related costs to enable teams to realistically evaluate the planned use of computer methods and negotiate a fair and reasonable fee for the services to be provided. The Administrator of the Office of Federal Procurement Policy, with the concurrence of the Director of the Office of Management and Budget, should require the Department of Defense and the General Services Administration to implement the new policy by revising the Defense Acquisition Regulations and the Federal Procurement Regulations, respectively, and jointly insuring that this policy is incorporated into the new Federal Acquisition Regulations currently being developed. The heads of departments and agencies procuring architect-engineer services should revise the criteria used in evaluating the overall qualifications of firms for design contracts to include computer capability and expertise. The heads of departments and agencies procuring architect-engineer services should require computer capabilities and expertise to be considered and evaluated when selecting architects and engineers for projects on which computer-aided design methods, such as energy analyses, can be used. The Executive Secretary, Federal Construction Council, Building Research Advisory Board, should direct the Council to take an active role in the training of the appropriate Federal personnel about the capabilities and uses of computers in design by: (1) pulling together the diverse information available on the general use of computers in design, the existing computer-aided design tools and methods, and the advances in the state of the art of computer-aided design; (2) developing the information into specific educational sessions for presentation to Federal personnel; and (3) actively sponsoring these special educational sessions and other conferences.

Agency Comments/Action

The agencies generally agreed with the GAO conclusions and recommendations. A few agencies disagree with three of the recommendations. GSA and the Postal Service oppose requiring computer use for those analyses which can be efficiently done only by computer-aided methods, GSA opposes considering computer capabilities and expertise as a selection factor, and VA and the Postal Service oppose eliminating their preprinted fee proposal forms. Construction agencies are in various stages of implementing recommendations. The Federal Construction Council is in the process of developing a comprehensive training program, following its own survey of needs which validated the GAO findings and conclusions on the need for employee education in the area of computer capability and use. The Office of Federal Procurement Policy has taken the initial steps to develop an architect-engineer procurement policy along the lines recommended.

Appropriations

Various appropriations used by civil agencies to procure architect-engineer services
Military construction - Army, Navy, Air Force

Appropriations Committees Issues

The Committees need to express their concern and interest in seeing greater, more efficient use of computer technology on Federal design projects in view of the significant impact which available computer-aided methods can have on initial construction costs, future life-cycle costs including energy costs, as well as the quality of Federal buildings and their efficient use and reuse. The Committees should monitor the agency actions on these matters to ensure that effective and efficient uses of computer aids by competent designers are not hampered by the procedures and practices of Federal agencies and their employees.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Increasing Use of Data Telecommunications Calls for Stronger Protection and Improved Economies (LCD-81-1, 11-12-80)

Budget Function: General Science, Space, and Technology: Telecommunications and Radio Frequency Spectrum Use (0258)

Legislative Authority: Foreign Intelligence Surveillance Act of 1978. Privacy Act of 1974. Crime Control Act. Communications Act of 1934. Property and Administrative Services Act (40 U.S.C. 481). Omnibus Crime Control and Safe Streets Act of 1968. Executive Order 12046. OMB Circular A-71. OMB Circular A-108.

Increasing requirements for modern data transmission services in recent years have resulted in a rapid proliferation of costly single purpose or single agency data telecommunications networks in the civil Government. The Government's increasing use of telecommunications to extend data processing systems raises a variety of new issues and management problems concerning the protection of data transmissions against unauthorized, unwarranted, and illegal uses. A major concern of Congress is to maintain the confidentiality of vast amounts of personal and other sensitive information collected, maintained, and disseminated by Federal agencies. Machine generated communications that are being transmitted over interstate and foreign telecommunications facilities are not protected by current laws against unauthorized interceptions.

Findings/Conclusions: Protection of data telecommunications against unauthorized wiretapping can be strengthened by amending telecommunication laws. Civil Government agencies need guidance to determine appropriate safeguards and controls for telecommunications. Executive level policies and guidance on telecommunications provide little assistance for operating agencies. Controls on Federal users and others authorized to collect and handle personal information should be strengthened to increase privacy protection for personal and other sensitive information, regardless of whether shared transmission facilities and related network controls are used. Data telecommunications networks in the civil Government are generally acquired from commercial telecommunications carriers by individual agencies for their own exclusive use. Some departments and agencies have taken or are taking actions to reduce their transmission costs through circuit sharing. GAO believes the consolidation of certain civil Government data telecommunications into a shared data telecommunications network could potentially reduce total Federal data telecommunications costs by at least 20 percent. Significant Government savings can be achieved through use of common user data telecommunications technology without conflicting with privacy objectives.

Recommendations: Congress should limit the development and implementation of new separate dedicated data telecommunications networks pending completion of the study and congressional determination on whether to proceed with a shared civil Government data telecommunications network. Congress should provide protective provisions against unauthorized interception of all forms of telecommunications, not just those forms limited to aural acquisition. The Director of the Office of Management and Budget (OMB) should provide to Congress engineering analyses of selected architectures, including the comparative privacy and security strengths and weaknesses of these architectures, as well as those of the dedicated networks currently in use. The Director of OMB should take appropriate action, including seeking concurrence from appropriate congressional oversight committees, to have the General Services Administration make or sponsor a study which will clearly identify the merits and problems of proceeding with a shared civil Government data telecommunications network instead of continuing with separate dedicated networks in such areas and for such agencies as would be reasonable and effective. The Director of OMB, with the assistance of the Administrators of General Services and the National Telecommunications and Information Administration, should provide to the appropriate oversight committees complete and accurate information on a potential shared data telecommunications network for civil Government agencies. This information should include (1) a preliminary network design with levels of economy achievable; (2) provisions for privacy protection; (3) implications on industry and Federal policies for types of procurement, ownership, and management controls proposed; and (4) the impact on the affected civil agencies' data telecommunications costs and operations. The Director of OMB, in cooperation with the Secretary of Commerce, should direct the Administrator of the National Telecommunications and Information Administration, Department of Commerce, to develop clear guidance for Government data transmissions protection that (1) is consistent with the computer security guidance published by the National Bureau of Standards for automatic data processing; (2) specifically includes risk analyses of the data telecommunications networks supporting data processing systems used to maintain personal or other sensitive information; and (3) include standards and implementing guidelines for determining the appropriateness of using encryption techniques for electronic transmissions, including those containing personal information.

Agency Comments/Action

OMB directed the General Services Administration to conduct a study in cooperation with the Department of Commerce, as recommended in the GAO report. The General Services Administration, with the assistance of the National Telecommunications and Information Administration, prepared an initial report to the Office of Management and

Budget recommending that a follow-on study be conducted to address fully the issues of economies, privacy, policy, and impact of shared data communications as recommended in the GAO report. This 2 to 3 year follow-on study is underway under the sponsorship of the General Services Administration.

Appropriations

Telecommunications - Office of Management and Budget
Telecommunications - General Services Administration, Automated Data and Telecommunications Service

Appropriations Committee Issues

The development and implementation of new, separate, dedicated data telecommunications networks should be limited pending completion of the comprehensive shared data telecommunications study and with Congress determines whether to proceed with a shared civil Government telecommunications network.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Continued Use of Costly, Outmoded Computers in Federal Agencies Can Be Avoided (AFMD-81-9, 12-15-80)

Budget Function: Automatic Data Processing (1001)
Legislative Authority: Automatic Data Processing Equipment Act (P.L. 89-306). OMB Circular A-71.

Computers in the Federal inventory are out of date; only 2 percent of the large- and medium-scale computers use 1975 or later technology. Newer equipment of similar capacity could use existing software without significant changes; provide such benefits as faster speeds, better reliability, greater capabilities, and lower energy consumption; and avoid costly operations.

Findings/Conclusions: Agencies have not recognized the costs and problems of continuing to use outmoded equipment. Guidance is needed to assist Federal managers' implementation of current technology, but such guidance has not been issued. Better knowledge of computer technology would enable Federal managers to better recognize and evaluate available economical alternatives. The present acquisition cycle is long, complicated, and frustrating and contributed to the obsolescence of Federal computers.

Recommendations: The heads of Federal agencies should immediately institute a program to determine if their systems are currently economically obsolescent and, if they are, to replace them expeditiously. The Director of the Office of Management and Budget (OMB) should require Federal agencies to (1) assess their ADP requirements for the 1980's and plan appropriate short and long range procurement strategies; (2) institute a program to improve top managers' knowledge of current computer technologies and concepts; (3) increase top management involvement in acquisition and resource allocation processes; and (4) ensure that ADP cost-accounting procedures reflect the principles of full costing and total system-life-cycle costing. GSA should issue guidance to the agencies outlining the criteria to be used and the cost comparisons to be made in determining economic obsolescence. Further, GSA should set forth procedures for expeditious replacement of ADP equipment determined to be obsolescent. GSA, working with OMB, should require the agency's internal audit group to verify the cost calculations. GSA should also issue the guidance and criteria called for in OMB Circular A-71.

Agency Comments/Action

OMB agreed that obsolescence is a major problem Government-wide, and promised corrective action through a 5-year ADP/Telecommunication planning mechanism for all agencies. This plan was on active consideration at OMB in September.

Appropriations

All Federal agencies

Appropriations Committee Issues

The Committees should question each agency on its efforts to replace costly outdated computers with newer less-expensive equipment.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OF MOST FEDERAL DEPARTMENTS AND AGENCIES

Federal Assistance System Should Be Changed To Permit Greater Involvement by State Legislatures (GGD-81-3, 12-15-80)

Budget Function: General Government: Other General Government (0806)
Legislative Authority: Intergovernmental Cooperation Act of 1968. Federal Program Information Act. Older Americans Act of 1965. Intergovernmental Personnel Act of 1970. Elementary and Secondary Education Act of 1965. OMB Circular A-95. OMB Circular A-102. Thornburgh v. Casey, 440 U.S. 942 (1979).

State legislative involvement in the Federal grant process is discouraged by the restrictive nature of the system itself, and by specific provisions in Federal grant programs which assign legislative responsibilities to the State executive branch. An assessment was made of the role of State legislatures in reviewing and controlling Federal grant funds received by the States.

Findings/Conclusions: Many State legislatures have been discouraged from becoming involved in the allocation or oversight of Federal grant funds because of their perception that they have no legitimate role. The absence of State legislative involvement adversely affects Federal interests, since neutrality may be impaired when explicit functions are assigned to only one branch of the State government without adequate recognition of the other branch. In addition, Federal constraints on legislative responsibility work to diminish the most basic form of accountability in State government, the legislative oversight of executive actions. Prospects for full State support and implementation of grant programs also suffer when legislatures are not involved in the programs. Despite Federal discouragement, some legislatures have involved themselves in various Federal grant programs. Contrary to expectations, legislative involvement has produced generally beneficial results, without causing delays or the loss of available grant funds. Enhancing the accountability of Federal programs to traditional State representative institutions enhances the long-range interests of Federal grant programs. Where State legislative involvement has been achieved, it has demonstrated that it clearly supports legitimate Federal interests. GAO believes that the primary responsibility for initiating legislative involvement must come from within the States themselves.

Recommendations: Congress should amend the Intergovernmental Cooperation Act of 1968 to ensure that grant provisions assigning various administrative responsibilities to State executive officials not be construed as limiting or negating the exercise of powers by State legislatures as determined by State law to appropriate Federal funds, to designate agencies to implement grant programs, and to review State plans and applications for Federal assistance. The Director of the Office of Management and Budget (OMB) should issue a new directive to Federal agencies on providing assistance to State legislatures. OMB should actively monitor agency implementation of this directive. The Director of OMB should also revise Circular A-95 to specifically allow for legislative involvement and thereby help dispell doubts as to the permissibility of such involvement.

Agency Comments/Action

The Senate Governmental Affairs Committee reported on a grant reform bill, S. 807, that included a crosscutting provision clarifying that State legislation involvement is permissible under Federal grant programs, based on GAO recommendations. Also, Senator Hatch provided for legislative involvement with the new block grants after reading the report.

Appropriations

State legislative involvement with Federal funds - Agency-wide

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Most Federal Agencies Have Done Little Planning for ADP Disasters (AFMD-81-16, 12-18-80)

Budget Function: Automatic Data Processing (1001)
Legislative Authority: F.P.R. 101-35. F.P.R. 101-36.7. OMB Circular A-71. FIPS Pub. 31.

Since most Federal agencies are extremely dependent on automatic data processing (ADP) systems, GAO reviewed the lack of effort among many Federal agencies to develop backup plans to maintain reasonable continuity of data processing support when normal ADP operations are disrupted.

Findings/Conclusions: GAO found not only a lack of understanding in the Federal Government of the importance of ADP backup planning, but also that agency top management has not fulfilled its responsibility for implementing the Office of Management and Budget (OMB) requirements for such plans. Of 55 activities reviewed, GAO did not find a single ADP backup plan which it considered adequate. Many activities only had written letters of agreement which were not sufficient. An adequate ADP backup plan should reduce the effects of a disaster by providing smooth, rapid restoration of an activity's critical operations until a lost ADP system can be permanently replaced or recovered. A review of interagency agreements indicated that: agreements are not always current, fulfilling agreements puts the agency providing backup in a contingency mode, ADP backup capability is not periodically tested to ensure compatibility of systems, most agreements contain only a single option, and agreements contain no guarantee that the backup equipment will be made available in the event of need. If operating systems have been modified, additional backup problems can be encountered. OMB has not provided the strong leadership needed to emphasize the importance of ADP backup planning and has not fulfilled its role in reducing the risk that loss of ADP capability in an emergency could keep agencies from meeting their responsibilities.

Recommendations: The Director of OMB should: (1) establish a mandatory requirement for each Federal department and agency to organize an ADP executive committee, with membership comprising top management, to enhance management's involvement in ADP policies and responsibilities, as directed by Federal regulations; (2) reaffirm that Federal agencies should test their ADP backup plans periodically to ensure continuity of data processing support in an emergency; (3) request that Inspector General or internal audit groups within each Federal agency evaluate ADP backup plans, review tests and test results in accordance with OMB criteria, and report their evaluation to the ADP executive committee; (4) ensure that the Department of Commerce develops standards for ADP backup plans; and (5) issue policy cautioning against modifying operating system software because of the increased difficulties such modifications cause, particularly in the area of backup.

Agency Comments/Action

OMB agreed that backup planning deserves more emphasis, and it plans to review agencies' information needs on a life-cycle basis. This would include backup planning.

Appropriations

All Federal agencies

Appropriations Committee Issues

In view of the importance of data processing to the delivery of most Federal services, the Committees may wish to inquire as to the status of agency contingency planning for their ADP systems.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Proposed Changes in Federal Matching and Maintenance of Effort Requirements for State and Local Governments

(GGD-81-7, 12-23-80)

Budget Function: General Government: Other General Government (0806)
Legislative Authority: Intergovernmental Cooperation Act of 1968 (42 U.S.C. 4201).

GAO explored the appropriateness of the Federal matching maintenance of effort requirements on State and local governments as a tool for attaining Federal policy objectives.

Findings/Conclusions: GAO found that matching and maintenance of effort requirements are often not effective in accomplishing their intended purposes of generating State and local government fiscal and managerial commitments to Federal programs. Further, even when effective from this standpoint, the requirements can produce unintended adverse effects by distorting State and local priorities and screening out needy grantees. Consequently, changes are needed in both matching and maintenance of effort requirements. While more stringent requirements would promote Federal fiscal and managerial objectives, they could correspondingly jeopardize the ability of the intergovernmental grant system to promote State and local fiscal stability and to provide a minimum level of federally funded services nationwide. Maintenance of effort provisions are designed to prevent State and local grantees from reducing their spending in federally funded program areas. Their aggregate burden on State and local governments has become an important issue due to the rapid growth of matching Federal grant programs over the past 15 years as well as the recent wave of fiscal constraints and expenditure reductions faced by all levels of government. For this reason, their appropriateness and effectiveness have become important issues for the entire public sector. Matching requirements need to be used more sparingly and only where a clearly articulated Federal interest does not conflict with the broader purposes of Federal grant programs themselves.

Recommendations: Congress should use matching requirements more sparingly in Federal programs and only after careful deliberation. Congress should amend the Intergovernmental Cooperation Act of 1968 (42 U.S.C. 4201) to enact a standard maintenance of effort requirement applicable to those grant programs where Congress wants to prevent fiscal substitution. Congress should make match rates more uniform wihin each functional area to avoid conflicts that may impede the achievement of Federal objectives. In making such changes, Congress should consider how much latitude the States should have to modify federally determined matching requirements. Congress should, to facilitate making match rates more uniform, consider amending the Intergovernmental Cooperation Act of 1968 to enable the President to propose plans to standardize match rates within functional program areas subject to congressional approval. The Director of the Office of Management and Budget (OMB) should direct that OMB include information on maintenance of effort requirements in the description of each Federal program listed in the Catalog of Federal Domestic Assistance.

Agency Comments/Action

OMB agreed to include information on the maintenance of effort in the Catalog of Domestic Assistance. The Senate Governmental Affairs Committee reported on S.807, a bill which would provide for a standardized maintenance of effort requirement for all Federal grant programs based on GAO recommendations.

Appropriations

Maintenance of effort requirements - Agency-wide

Appropriations Committee Issues

The Committees should assess whether the grant programs contain maintenance of effort provisions which seek to assure that grantees will not use the Federal funds to replace or substitute for their own funds. If substitution occurs, the Federal funds may not benefit the programs or activities intended by Congress. Also, the Committees should review whether matching requirements are really needed to control Federal outlays in view of the burdens imposed on State and local governments.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Proposals for Improving the Management of Federal Travel (FPCD-81-13, 12-24-80)

Budget Function: General Government: Other General Government (0806)
Legislative Authority: H.R. 7072 (96th Cong.). 7 USDA Reg. 549. B-195331 (1980).

GAO discussed the elements of a good travel management system; current policies and procedures to budget, monitor, and authorize travel in the Federal Government; the equity of different military and civilian travel reimbursement practices; recent travel management initiatives; and the applicability of private sector travel policies and practices to Federal travel management. Travel in the Departments of Agriculture and the Army and the findings of congressional investigative staffs in the Departments of Labor and Health and Human Services and the Environmental Protection Agency were reviewed.

Findings/Conclusions: Budgets are essentially based on past levels of travel expenditures. The lack of accurate data on the cost and purposes of travel can make travel budgets unreliable and travel unmanageable. The President's 1981 budget did not reflect all of the reductions in 1980 travel mandated by Congress. Loose authorization procedures and lax management attitudes have hindered effective travel management. Department of Agriculture employees use general travel authorizations beyond the scope intended for their use. Agriculture has delegated trip approval to first-line supervisors who may not be aware of the agency's priorities and travel funds' availability. Congress has cited numerous examples of questionable travel practices in the Departments of Labor and Health and Human Services and in the Environmental Protection Agency. These include unjustifed use of first-class accommodations, frequent use of personal leave in conjunction with official travel, retreats held for top managers attended largely by headquarters personnel, and questionable need for travel by secretaries. Similar abuses of conference travel have been reported at the General Services Administration. Different statutes, written by different authorities, established travel entitlements for civilian and uniformed personnel and, as a result, they receive different entitlements for similar travel. Differences also occur when Congress does not simultaneously raise the per diem ceilings for the two groups.

Recommendations: The Secretary of Agriculture should (1) restrict the use of general travel authorizations to those employees whose work requires frequent temporary duty travel; and (2) require written authorization for all other travel. The Director of the Office of Management and Budget (OMB) should bring to the attention of top agency officials the agency managers' lack of compliance with Federal travel policies and direct the top officials to make sure these managers follow these policies. The Administrator of General Services and the Per Diem, Travel, and Transportation Allowance Committee should take actions to eliminate the differences in boundaries and maximum rates for high rate geographical areas. The Director of OMB should revise budget guidelines to (1) focus more specifically on the purpose of each kind of travel and require heads of departments and agencies to revise their reporting and budgeting systems accordingly; and (2) require that agency Inspectors General and internal auditors periodically test the accuracy of travel costs reporting. The Secretary of Defense should propose a legislative package to (1) provide authority for a househunting trip for uniformed personnel under orders for a station transfer in the conterminous United States; (2) provide a temporary lodgings and subsistence allowance in lieu of basic quarters and subsistence allowances when uniformed personnel occupy temporary quarters incident to a move within the United States, its possessions and territories, and Puerto Rico; (3) replace the mileage allowance in lieu of transportation and station transfer mileage allowance with a mileage reimbursement plus per diem for uniformed members and their dependents on temporary duty and station transfer travel; and (4) set maximum per diem rates in title 37 by reference to title 5, United States Code.

Agency Comments/Action

An OMB-directed task force on travel is acting on the GAO recommendations.

Appropriations

Travel - Various agencies

Appropriations Committee Issues

The Committees should consider how to promote sound policies and procedures to budget, monitor, and authorize travel in the Federal Government.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

The Office of the Special Counsel Can Improve Its Management of Whistleblower Cases (FPCD-81-10, 12-30-80)

Budget Function: General Government: Central Personnel Management (0805)
Legislative Authority: Civil Service Reform Act of 1978. P.L. 96-304.

A review was undertaken of the Office of the Special Counsel, within the Merit Systems Protection Board, to determine how the Office is implementing its responsibilities. Two of the significant responsibilities of the Special Counsel are to: (1) establish procedures to insure that allegations of wrongdoings are properly investigated in the executive branch; and (2) protect from reprisals those employees who disclose information about agency wrongdoings.

Findings/Conclusions: In its review, GAO found that there is no system in the Office of Special Counsel to insure that cases are processed in a timely manner. As a result, delays are common in every phase of case processing. One of the major causes for delays in processing is the lack of an effective case-tracking and case-monitoring system. The currently used index card file system has not provided a means for effectively monitoring, managing, and tracking not only whistleblower cases, but also the other types of complaints received by the Special Counsel. Additionally, GAO found that the Special Counsel did not monitor either the implementation, timeliness, or effectiveness of the action taken or proposed by the agencies and that there was confusion about the role and responsibility of the Special Counsel. Further, the Special Counsel has not insured that a whistleblower's allegation is always understood and communicated to the agency involved.

Recommendations: The Special Counsel should control its caseload by placing a high priority on improving its case tracking/monitoring system. The Special Counsel should improve communication with whistleblowers to assure that their allegations are clearly understood and that they are kept informed of the progress of their cases. The Special Counsel should follow up on agency reports responding to whistleblower allegations and actively encourage complainants' evaluations and comments to these reports. The Special Counsel should place greater emphasis on encouraging Federal employees to disclose wrongful activities by more clearly informing agencies and employees of its role in receiving whistleblower complaints.

Agency Comments/Action

The Office of the Special Counsel is addressing all of the GAO recommendations.

Appropriations

Salaries and expenses - Merit Systems Protection Board, Office of the Special Counsel

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Disappointing Progress in Improving Systems for Resolving Billions in Audit Findings (AFMD-81-27, 1-23-81)

Budget Function: Financial Management and Information Systems: Internal Audit (1103)
Legislative Authority: Supplemental Appropriations and Rescission Act of 1980 (P.L. 96-304). OMB Circular A-73.

The Federal Government is losing billions of dollars in unresolved audit findings. A study was made to see if agencies have implemented effective audit resolution systems that meet the Office of Management and Budget's (OMB) revised guidelines and GAO and House Committee on Government Operations recommendations.

Findings/Conclusions: Although agency systems for resolving audit findings have improved somewhat, the overall progress has been disappointing. An increase in the amount of unresolved findings indicates that the problem is worsening. Of the majority of audit findings examined, officials failed to act promptly or properly to correct problems or improve operations. The audit resolution systems of the agencies reviewed lacked provisions for: (1) maintaining accurate records of findings until final disposition; (2) establishing adequate accounting and collection controls over amounts determined to be due as a result of an audit; (3) elevating disagreements and delays to an independent arbiter; (4) providing complete and accurate reports to management; (5) applying OMB Circular A-73 to all audits; (6) deciding the disposition of audit findings within 6 months and establishing final resolution schedules; (7) ensuring that decisions to reject findings are consistent with laws and regulations; and (8) coordinating corrective action with other affected agencies.

Recommendations: The heads of Federal agencies should (1) further improve audit resolution policies, procedures, and practices to comply with the intent and spirit of OMB guidelines, designating a top level manager to coordinate these efforts and prepare progress reports for OMB; (2) take legal or administrative actions against the parties involved whenever audit findings concern fraud, waste, or abuse of Federal funds; and (3) make the timeliness and quality of audit resolution a written performance standard and a factor in determining bonuses for Senior Executive Service members and merit pay for supervisors. The Inspectors General and directors of audit agencies should develop internal organizational procedures and controls for efficient and effective planning, coordinating, reviewing, and reporting of audit work and audit followup activities in accordance with GAO and other professional standards. The Director of OMB should include oversight of agency audit resolution practices in the budget review process to provide (1) an assessment of progress in establishing, revising, and implementing resolution systems; (2) an adjustment of agency budget allowances where appropriate; and (3) a report to the chairpersons of the House and Senate Committees on Appropriations on progress and action plans. The Director should also clarify Circular A-73 so that (1) it provides that periodic reports to agency heads include complete details on the resolution of findings and on the age and amounts of unresolved findings; (2) it applies to all audit reports, including contract, subgrantee, and regulatory audits; and (3) written determinations and the legal basis for nonconcurrence with audit recommendations apply to both procedural and monetary findings.

Agency Comments/Action

The House Committee on Government Operations conducted hearings in June and July of 1981 to determine agencies' progress in implementing the report's recommendations. OMB generally agreed with the report and agreed to oversee agency progress in implementing the recommendations. The Department of Defense issued new directives in January of 1981 for improved resolution of contract audit recommendations, the Department of Agriculture issued improved directives for audit resolution, and the Department of Commerce is presently taking action to improve its resolution system. The Inspectors General are also addressing audit resolution problems through the President's Council on Integrity and Efficiency in Government.

Appropriations

All Federal agencies

Appropriations Committee Issues

The Committees should determine whether agencies have implemented Section 305 of the Supplemental Appropriations Act of 1980 (P.L. 96-304), which requires agencies to resolve pending audits no later than September 30, 1981, and to decide on the disposition of any new audits involving questioned costs within 6 months.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Government-Wide Guidelines and Management Assistance Center Needed To Improve ADP Systems Development

(AFMD-81-20, 2-20-81)

Budget Function: General Government: Executive Direction and Management (0802)
Legislative Authority: Automatic Data Processing Equipment Act (P.L. 89-306). P.L. 96-74. OMB Circular A-71.

In more than 57 reports in the past 10 years, GAO has identified management weaknesses in the design and development of large, complex Federal data processing systems. GAO suggests a framework of principles and procedures for managing systems development which could be the basis for issuing Government-wide guidelines. The earlier recommendation that a management assistance center for computer software and systems development be established was reiterated.

Findings/Conclusions: GAO found that better management could have saved nearly $300 million in just 10 of the systems reviewed. At several agencies, development efforts were frequently unsuccessful because they had guidelines which were incomplete, not fully implemented, or not followed in actual practice. Some Federal agencies do not have sufficient and effective top management involvement and direction and a strong central office to facilitate agency-wide planning, coordination, and control of ADP resources. Top managers at many agencies do not have the required knowledge and expertise to control systems development effectively. GAO believes that effective planning and management control are mandatory if Federal agencies are to obtain the most effective and efficient use of the over $6 billion they spend annually on systems development.

Recommendations: The Director of the Office of Management and Budget (OMB) should require the head of each Federal agency to implement the guidelines. The Director of OMB should establish a management assistance center for computer software and systems development, financed by the General Services Administration (GSA) ADP Fund, and reporting to the Director through a chartered user committee. The GSA Office of Software Development and the Federal Computer Performance Evaluation and Simulation Center should be consolidated into this new center. The Director of the Office of Management and Budget should issue Government-wide guidelines which will enable agencies to take a structured approach in developing ADP systems. These guidelines should incorporate the management principles and procedures in appendix II.

Agency Comments/Action

OMB agreed that agencies have had difficulty in developing and managing automated systems but believed these problems result from agency efforts to comply with a complex, and sometimes confusing, array of laws and policies governing the management of Federal computer resources. To the extent this is true, OMB believed that issuance of guidelines would not correct the difficulties. However, OMB requested that GAO distribute the guidelines for comment and, if found appropriate, OMB would be willing to issue them. Concerning the establishment of a management information center, OMB pointed out that the National Bureau of Standards, GSA, and the private sector, among others, offer managerial and technical assistance to the agencies and, although willing to consider the consolidation of existing Federal assistance activities into a single organization, it was not clear that existing services are inadequate. Furthermore, OMB had two concerns. First, P.L. 89-306 established that the Secretary of Commerce provide scientific and technological advisory services, and placing these functions in GSA would be duplicative or require a legislative change. Second, the establishment of a management assistance center would place the Government in direct competition with the private sector, and OMB was not convinced that the benefits of a center outweigh its policy to rely on the private sector. OMB requested GAO analysis of the benefits of a single organization and the resource and staffing level GAO is recommending. On March 11, 1981, the Chairman of the House Committee on Government Operations wrote to the Director of OMB and the Administrator of GSA requesting expedited action on the GAO recommendations. On April 23, 1981, the Director of OMB responded to the GAO report in letters to the Chairmen of the House Government Operations and Senate Governmental Affairs Committees. According to the response, OMB still has "substantial reservations about the recommendation to establish" a management assistance center under OMB. OMB states that it will consider the GAO recommended framework of principles and procedures for managing systems development in the course of their revising OMB Circular A-71, "Responsibilities for the Administration and Management of Automatic Data Processing Activities," and in implementing the Paperwork Reduction Act of 1980 (P.L. 96-511).

Appropriations

Salaries and expenses - Executive Office of the President, Office of Management and Budget

Appropriations Committee Issues

The Appropriations Committees should consider placing up to $2 million of the $8.5 million funds authorized for implementation of the Paperwork Reduction Act of 1980 into the GSA Automatic Data Processing Fund for the purpose of implementing the GAO recommendations by financing a management assistance center through its revolving fund mechanism. Such a center could greatly aid OMB, GSA, and the top level management of most agencies by: providing sophisticated management advice and independent system evaluations; producing draft information policies, standards and guidelines; and designing common functional systems for use across Government. Such purposes are specifically authorized by P.L. 96-511 sectons 3504(a), (b)(1), (c)(6), (d)(3), (e)(1), (f)(1), (f)(2), (g)(1), (g)(3), (g)(4), (g)(5), (h)(3); 3503(1)(b), (1)(c), (2)(a), (2)(b); and 3511(a), (b), and appropriately financed by the GSA Automatic Data Processing Fund as authorized by P.L. 89-306.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Federal Agencies' Maintenance of Computer Programs: Expensive and Undermanaged (AFMD-81-25, 2-26-81)

Budget Function: Automatic Data Processing (1001)
Legislative Authority: Automatic Data Processing Equipment Act (P.L. 89-306). DOD Directive 7920.1. BOB Circular A-71.

Computer software maintenance consumes a large share of the Federal Government's automatic data processing resources. A review was performed of computer software maintenance operations at 15 Federal computer sites.
Findings/Conclusions: Agencies have a limited overview of their software maintenance operations and have made little concentrated effort to effectively manage and minimize the resources required to maintain their computer software. Automatic data processing managers have done little to identify common causes of maintenance problems or reduce maintenance costs. The absence of maintenance management is due to the lack of a uniform definition of maintenance and the absence of Government-wide guidance on how to control software maintenance and reduce its costs. Modifications account for about half of the total maintenance workload. While some modifications are necessary to adapt software to changing user needs, others occur because user needs were not properly identified in the first production version of the software. Agencies need to develop and implement policies and procedures which will increase maintenance efficiency and ultimately reduce the amount and cost of software maintenance required.
Recommendations: The heads of Federal agencies should implement policies and procedures to increase the efficiency of the software maintenance operation and reduce the amount of software maintenance needed in the future. The heads of Federal agencies should identify and assign costs to resources expended for software maintenance. Accounting and reporting of costs by area of management responsibility are fundamental steps in making individuals conscious of and responsible for the costs incurred within their area of control. The Secretary of Commerce, through the National Bureau of Standards, should develop and publish a standard definition of applications software maintenance for Government-wide use. The publication should list and define maintenance components suitable for use in recording costs, from which individual installations can use the parts that are relevant to them. The Secretary of Commerce, through the National Bureau of Standards, should develop and publish guidance specifically and explicitly directed at techniques for reducing Federal software maintenance costs. Pending such publication, GAO feels that its provisional checklist will be useful to installation managers who want to reduce their maintenance costs. The heads of Federal agencies should begin to manage software maintenance as a discrete function; that is, to consider maintenance as a high-cost area needing comprehensive management policies that deal specifically with its issues. To accomplish this, data gathering mechanisms must be put into place to provide management with information on the maintenance workload. The heads of Federal agencies should develop maintenance standards and goals as a means of evaluating maintenance efficiency and for use as a management tool. After carefully analyzing the current maintenance workload, management should set goals reflecting the resource usage considered reasonable to maintain the current inventory of software. Levels of resources above these standards would be subject to management attention and subsequent action. Maintenance goals should reflect a lower level of resources expected to be attained by the use of techniques to reduce the need for future maintenance.

Agency Comments/Action

The National Bureau of Standards agreed to consider management of existing software in future guidelines and standards.

Appropriations

All Federal agencies

Appropriations Committee Issues

The Committees may wish to improve the extent to which individual agencies have acted to improve their management of this expensive area.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Federal Capital Budgeting: A Collection of Haphazard Practices
(PAD-81-19, 2-26-81)

Budget Function: General Government: Other General Government (0806)
Legislative Authority: Postal Reorganization Act. Veterans' Health Care Amendments of 1979 (P.L. 96-22). Mass Transportation Assistance Act of 1970. Federal Public Transportation Act of 1978. Water Pollution Control Act. Clean Water Act of 1977. P.L. 92-500. S. 2080 (96th Cong.).

The Federal Government has enormous amounts of capital assets and helps fund State and local projects. Much of these federally owned and financed items are deteriorating, and the Government is faced with the prospect of either repairing or rehabilitating them, or risking a staggering replacement burden in the future. Industry and most States and municipalities follow a capital budgeting procedure, but the Federal Government does not. A study was conducted of capital investment data and the planning and budgeting experiences of numerous public and private organizations.
Findings/Conclusions: GAO concluded that a policy-level approach to capital investment must be added to the Federal Government's decisionmaking process, and sound, up-to-date information is needed to support that approach. Government agencies need to closely monitor the implementation of capital investment programs, audit their results, and check the condition of operating facilities and equipment. GAO found that deteriorating public capital assets are partly the result of State and local neglect. Federally owned assets appear to be in better condition than State and local assets, but they too suffer from obsolescence and deterioration. The Postal Service was the agency which had the most desirable planning, budgeting, and control features that could be readily adopted by other Federal agencies. Many factors have contributed to the problems of capital investment in the Federal Government: managers' views, congressional authorization and budgetary procedures, limited resources available for capital, and too little monitoring or oversight of ongoing and completed capital projects. Short-term strategies are implemented in capital investment areas, increased costs of Federal capital programs are passed on to States without recognition, and no effective national capital improvement plan exists. Consequently, the Federal Government's ability to stop the decline of physical capital is severely limited. Uncontrollable outlays have reduced the funds available for physical capital investments.
Recommendations: The congressional oversight committees should require executive reports to focus on broad policy decisions (timed to congressional cycles) before Congress authorizes and funds individual projects. Reports should inform Congress of: (1) long-term needs, (2) status of projects already approved, (3) long-term plans for meeting needs, and (4) budget year plans addressing long-term needs. The congressional oversight committees should consider capital investment programs in a way that will not penalize the programs because they are fully funded in the first year they are begun. So that valid program comparisons can be made, Congress and the executive agencies should regularly use longer-term costs for the other programs in the budget. The congressional oversight committees should set realistic goals and information requirements for policies, programs, and projects so the public is aware of the condition of the Nation's infrastructure and what is going to be done. The committees should grant the administrators of Federal agencies the authority and resources to render congressional goals and expectations plausible. Requisite authority and resources should be set out in legislation and in committee and Federal agency reports to minimize the gap between expectations and what is feasible. When resources are limited, this would involve explicitly reducing goals to match resource levels. The congressional oversight committees should consider the financial ability of State and local governments to operate and maintain capital facilities built mainly with Federal funds. If the financial ability of the State or local government is questionable, the committees should consider (1) requiring the States or localities to prove financial ability; (2) financing part of the operations and maintenance costs, as in the case of mass transit grants; or (3) not implementing the projects. The views of State and local governments and Federal agencies on these alternatives should be explained in agency budget justifications and in agency comments on proposed legislation. Both Congress and the executive branch should specify the information and analytical support they need from Federal managers. Congress should give a Senate and a House committee the policy-level oversight responsibility for Federal capital investment and for assessing infrastructure needs and conditions. A component of the Executive Office of the President should be designated as a focal point for executive policy directions. The President's Domestic Policy staff, or a newly established group within the Executive Office of the President should devise and propose to Congress a strategy and establish an overall policy for the Nation's infrastructure needs and physical capital development. Such a strategy should take into account: (1) maintenance of facilities not outdated to minimize future costs; (2) planned obsolescence, abandonment, demolition, or salvage of specific facilities; and (3) construction or renovation to meet technological and program needs. The President's Domestic Policy staff, or a newly established group within the Executive Office of the President should work with lead Federal agencies and OMB to ensure that consistent management practices and policies are adopted by all Federal agencies and priorities are set for the Nation's capital investment projects. The Office of Management and Budget should build linkages between oversight and audit, evaluation, and planning functions by

requiring Federal agencies to conduct periodic post-audits of capital assets to assess (1) the condition of the infrastructure of interest to the agency, (2) the projected requirements for the infrastructures within the agency's area of responsibility, (3) the effectiveness of maintenance standards, and (4) the plans for infrastructure development within the agency's area of responsibility. The President's Domestic Policy staff, or a newly established group with the Executive Office of the President should work with Federal agencies and State and local organizations to make sure that federally financed physical capital is adequately maintained. The President's Domestic Policy staff, or a newly established group within the Executive Office of the President should take an active part in reviewing Federal agencies' budgets as they pertain to capital investment and work with OMB to ensure that stated capital investment policies and strategies are fully considered. The President's Domestic Policy staff, or a newly established group within the Executive Office of the President should work with lead Federal agencies to review and streamline the guidance on analyses used to justify capital projects. The streamlined guidance should ensure that all agencies, before requesting project approval, conduct analyses of life cycle costs for all capital projects and analyses of alternatives for meeting capital needs. The President's Domestic Policy staff, or a newly established group within the Executive Office of the President should, in January of each even-numbered year, submit to Congress a 4-year outlook report summarizing the plans for at least 4 future years of Federal capital investment programs and their expected contributions to the Nation's infrastructure. The President's Domestic Policy staff, or a newly established group within the Executive Office of the President should work through State and local organizations to develop periodic assessments of the condition of federally financed physical capital that is owned by State and local governments. The Office of Management and Budget should direct Federal agencies that acquire or finance physical capital to explain in their annual budget to Congress the relationships of their proposals to the long-range capital needs and investment plan, and to the priorities contained in the 4-year outlook. The Office of Management and Budget should build linkages between oversight and audit, evaluation, and planning functions by requiring Federal agencies to analyze completed capital projects to verify that the project is accomplishing its intended purposes. The President's Domestic Policy staff, or a newly established group within the Executive Office of the President should provide leadership and guidance to Federal agencies to tailor their report information to meet the specific needs of the President and Congress for decisions on capital investment policy, legislation, and budget analysis. Leadership and guidance should take the form of: (1) requiring the Federal agencies to develop, use, and submit (timed to the budget cycle) capital investment information focusing on identification of long-term needs, long-term plans for meeting needs, a budget-year plan addressing long-term needs, and the status of projects previously approved; and (2) summarizing information on Federal capital investment activities and submitting it to Congress with the President's budget.

Agency Comments/Action

All of the organizations reviewing the GAO report, except the Office of Management and Budget (OMB), generally agreed with its message. In May 1981, OMB said that it continued to disagree fundamentally with the philosophy of the report and many of its recommendations. OMB prefers a program-by-program approach to capital investment rather than an overall policy approach. OMB does not agree that because the Federal Government has financed significant portions of State and local capital infrastructure that the Federal Government should necessarily protect this investment.

Appropriations

All Federal departments and agencies with capital outlays

Appropriations Committee Issues

The Committees should be concerned that the Nation's infrastructure is sufficient to support economic development.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Funding Gaps Jeopardize Federal Government Operations
(PAD-81-31, 3-3-81)

Budget Function: General Government (0800)
Legislative Authority: Congressional Budget and Impoundment Control Act of 1974 (P.L. 93-344). Antideficiency Act (31 U.S.C. 665(a)). P.L. 96-86. P.L. 96-123. P.L. 96-369. U.S. Const. art. I, 9. H. Res. 470 (96th Cong.). H. Res. 446 (96th Cong.). H.R. 5720 (96th Cong.). H.R. 5995 (96th Cong.). H.R. 5955 (96th Cong.). H.R. 5704 (96th Cong.). H.R. 2289 (96th Cong.). S. 337 (96th Cong.). S. 1884 (96th Cong.). S. 2124 (96th Cong.). B-197841 (1980).

Interruptions in Federal agency funding at the beginning of the fiscal year and operating on continuing resolutions have become the norm rather than the exception. During the normal deliberations process on appropriations for fiscal year 1981, it became clear that a funding gap might develop. In response to the President's request for an opinion on the Antideficiency Act, the Attorney General ruled that the Act requires agencies to terminate all operations when their current appropriations expire. In addition, the Attorney General stated that the Department of Justice would strictly enforce the criminal provisions of the Act in cases of future willful violations.

Findings/Conclusions: Agencies were uncertain how to respond to the Attorney General's opinion and what activities they would be able to continue if appropriations expired. In addition, guidance from Justice and the Office of Management and Budget was inconsistent, and neither provided clear instructions for agencies to follow. There are many approaches to the problem of funding gaps: (1) Congress could enact permanent legislation authorizing agencies to incur obligations but not expend funds for continued operations during periods of expired appropriations; (2) the Antideficiency Act could be amended to allow agencies to incur obligations for continued operations when appropriations expire; (3) the rules of both Houses could be amended to require all appropriations acts to include language conferring authority to continue to incur but not liquidate obligations at the level authorized until superseded by another funding measure; (4) limitation and legislative riders on appropriations bills and continuing resolutions could be forbidden or made to require a two-thirds vote for passage; or (5) continuation of the pay of Federal civilian and military employees could be provided for in periods of expired appropriations.

Recommendations: Congress should consider shifting more programs to authorization and appropriations cycles of 2 or more years. Congress should consider establishing and adhering to a reserve for fall and spring adjustments for emergencies and uncontrollable cost growth. Congress should enact permanent legislation to allow all agencies to incur obligations, but not expend funds, when appropriations expire (except where program authorization has expired or Congress has expressly stated that a program should be suspended during a funding hiatus pending further legislative action).

Appropriations

Various agencies

Appropriations Committee Issues

During the past 20 years, 85 percent of the appropriations bills have not been passed on time. This causes problems in operations. GAO believes that Congress could enact permanent legislation authorizing agencies to incur obligations but not to expend funds during periods of expired appropriations.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

President's Sixth Special Message for FY 1981
(OGC-81-7, 4-13-81)

Budget Function: Impoundment Control Act of 1974 (1005)
Legislative Authority: Congressional Budget and Impoundment Control Act of 1974. Department of Housing and Urban Development-Independent Agencies Appropriation Act, 1981 (P.L. 94-524).

The President's sixth special message for fiscal year 1981 proposed three new rescissions of budget authority, 24 new deferrals, and revisions to five previously reported deferrals.
Findings/Conclusions: Except for some areas noted, GAO identified no additional information that would be useful to Congress in its consideration of the President's proposals and believes that the proposed deferrals are in accordance with existing authority.

Recommendations: Congress should adopt an impoundment resolution which disapproves deferrals D81-95 and D81-96 on the basis that they are unauthorized under the Impoundment Control Act.

Appropriations

Independent agencies

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Fraud in Government Programs: How Extensive Is It and How Can It Be Controlled (Volume I) (AFMD-81-57, 5-7-81)

Budget Function: Financial Management and Information Systems (1100)
Legislative Authority: False Claims Act (Against Government). Budget and Accounting Procedures Act of 1950. H.R. 4106 (95th Cong.). H.R. 1526 (97th Cong.). 18 U.S.C. 287.

GAO made a statistical analysis of over 77,000 cases of fraud and other illegal activities reported in 21 Federal agencies during the period of October 1, 1976, through March 31, 1979.

Findings/Conclusions: The loss to the Government on the 77,000 cases would total between $150 and $220 million. This loss is only what is attributable to known fraud. It does not include the cost of undetected fraud which is probably much higher, because weak internal controls allow fraud to flourish. It also does not include cases involving Federal funds where State and local jurisdictions had primary investigatory responsibility. Losses due to fraud and related illegal activities are seldom recovered. Fraud erodes public confidence in the Government, undermines program effectiveness, and in some cases, affects public health and safety. Government employees committed about 29 percent of the frauds included in the GAO study. Federal employees also detected the majority of the reported frauds. Four areas were especially prone to fraud: financial assistance to individuals, inventory control and property management, mail service, and personal property management. For a variety of reasons, the Justice Department declined to prosecute 61 percent of almost 13,000 cases referred by Federal agencies. Although Justice got a conviction or guilty plea in the majority of cases it did prosecute, the courts often suspended large portions of the sentences or granted probation. Agencies did not always take administrative action against individuals who committed fraud, or took action which was ineffective. Since 1978, progress has been made in combating fraud by the establishment of offices of inspectors general and Justice Department reorganizations.

Recommendations: Congress should consider the merits of enacting legislation to allow agencies to assess civil monetary penalties against persons who defraud Federal programs. The authority to assess such a penalty should be effective when the Department of Justice declines to take criminal or civil action on the case. Congress should enact the Federal Managers' Accountability Act of 1981. The Department of Justice should expedite completion of its draft legislation to give agencies the authority to levy civil monetary penalties and should submit the legislation to Congress for its consideration.

Agency Comments/Action

The Department of Justice stated that it generally shared the GAO concern that more needs to be done to prevent fraud and punish those who commit it. The Department said it was in the final stages of reviewing a major legislative proposal to create an administrative civil penalty mechanism to address the area of program fraud throughout the Government.

Appropriations

Multi-program - Government-wide

Appropriations Committee Issues

The Committees should consider whether the agencies are taking effective actions to reduce losses resulting from fraud and how effective agencies are in recovering losses due to fraud.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS OR AGENCIES

Agency Printing Plants--Choosing the Least Costly Option (PLRD-81-31, 6-19-81)

Budget Function: General Government: Legislative Functions (0801)

GAO reviewed selected agency printing plants to identify those issues which management needs to address to ensure that printing is being done economically and efficiently.

Findings/Conclusions: Even though printing plants in Federal agencies produced over $234 million in printing in 1980, management is not in a position to judge whether the current way of doing business is best or whether better alternatives exist. More controls over agency printing plants are needed to determine: (1) if the plants are justified and at what levels of operation; and (2) the best alternatives available for accomplishing in-house printing needs.

Recommendations: The Chairman of the Joint Committee on Printing should develop, along with the agencies and the Office of Management and Budget, a long-range plan for (1) examining printing needs and capabilities on a geographical basis and (2) selecting those alternatives that would ensure service at a reasonable cost. The Chairman of the Joint Committee on Printing should require Federal agencies to review the need for their printing plants and to rejustify the plants' continued existence at current operating levels. The agencies should also certify that they have considered other options, such as interagency support and that they have selected the least costly viable option. In support of these actions, GAO suggests that the Committee work with the agencies to establish better criteria for identifying commercially procurable work.

Appropriations

Operation and maintenance - Government Printing Office

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Status, Progress, and Problems in Federal Agency Accounting During Fiscal 1980 (AFMD-81-58, 6-25-81)

Budget Function: Financial Management and Information Systems: Review and Approval of Accounting Systems (1102)
Legislative Authority: Accounting and Auditing Act. H.R. 1159 (90th Cong.). 31 U.S.C. 66a.

The head of each executive agency is responsible for establishing and maintaining systems of accounting and internal controls that conform to the principles, standards, and related requirements prescribed by the Comptroller General. GAO examines the accounting principles and standards prescribed by an agency as the basis for its accounting system and those procedures and practices that will be followed to perform the agency's accounting to determine whether the system is in conformance with approved principles and standards. GAO also reviews the accounting system in operation from time to time to see that it is being operated in accordance with the approved design and is serving management's needs.

Findings/Conclusions: As of September 30, 1980, 297 of 301 systems identified by the agencies as being subject to GAO approval were covered by approved accounting principles and standards. Only 193 of the 301 system designs have been approved by the Comptroller General. The 108 unapproved systems include some of the largest and most important ones and account for the expenditure of more than half the Federal budget. A large number of the approved systems were approved over a decade ago, and most of these systems have undergone revisions and should be submitted for reapproval. Congress should ensure that agencies have adequate resources to improve and qualify their systems for approval. In many cases, an agency installs and begins operation of a system without GAO approval, and GAO finds that the system lacks important features and is therefore not approvable. When a performance measurement system is integrated with an accurate time and cost reporting system, efficiency of operations is measurable. GAO has encountered many major accounting problems, such as inadequate property and cost accounting, ineffective fund control, and improper accrual accounting, which prevent approval of systems. Some agencies do not adequately document their system designs in a manner that would assist them in operating and maintaining their systems and permit an orderly evaluation. It has been difficult during the development and documentation process to convince agencies to seek GAO assistance. Some agencies make changes in their documentation to get GAO approval and then do not implement them.

Recommendations: Congress should, when an appropriation is requested, require the head of each agency to report on the status of and progress made toward gaining GAO approval of its accounting systems.

Agency Comments/Action

The report does not include any recommendations for agency action and it was not sent to the agencies for comment.

Appropriations

All Federal agencies

Appropriations Committee Issues

The recommendation made in this report has been included in Section 4 of the "Federal Managers' Accountability Act of 1981." The bill (H. R. 1526) was recently passed by the House. A similar bill called the "Financial Integrity Act of 1981" is now being considered in the Senate but does not include a provision similar to the GAO recommendation. GAO supports the inclusion of Section 4 of the "Federal Managers' Accountability Act of 1981" in the final bill when the two bills are considered in conference.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Civil Agencies Should Save Millions by Recovering Silver From Photographic Wastes (PLRD-81-48, 7-31-81)

Budget Function: General Government: General Property and Records Management (0804)

Many Government agencies continue to waste money and a valuable natural resource by discarding silver-laden photographic wastes. By using inexpensive and easy-to-operate equipment in their photographic laboratories, these agencies could recover silver that frequently is being poured down the drain. The Government saves money by recovering silver because its market value is far greater than the costs to recover it. GAO conducted a review to determine whether problems continued with ineffective or nonexistent silver recovery programs in Government agencies.

Findings/Conclusions: Since a 1977 GAO report, the Department of Defense (DOD) improved its recovery effort by 50 percent, while many civil agencies made few improvements. However, civil agencies could make a similar increase in savings if their recovery efforts improved. Of 44 laboratories which GAO reviewed, only 12 effectively recovered silver, 13 partially recovered silver, and 19 did not recover any silver at all. GAO believes that millions of dollars could be saved annually by starting or improving recovery at all locations. Most civil agencies do not adequately recover silver from photographic wastes because: (1) they must spend time and money to recover but receive no direct benefit since proceeds from silver sales are normally returned to the Treasury; (2) many laboratory personnel are not aware of the benefits of recovery; (3) managers do not emphasize recovery; and (4) the General Services Administration has not fully supported the recovery program. Use of the existing DOD program by civil agencies would overcome most of the current problems. Civil agencies that join the system can save money by drawing silver from DOD and providing the silver as Government-furnished material to vendors supplying items containing silver. DOD will also advise civil agencies on appropriate recovery techniques, furnish recovery equipment, train agency personnel, and provide collection locations for recovered silver. Internal controls over recovered silver should be strengthened because of its high value and easy negotiability.

Recommendations: The Administrator of General Services should clarify the Federal property management regulations to emphasize that silver recovery is required in all Government photographic laboratories. The heads of Federal agencies should: (1) emphasize the importance of effective silver recovery to management officials having responsibility for photographic laboratories; (2) require periodic internal audits of photographic laboratories to identify waste and poor internal controls; and (3) join the DOD precious metals recovery program where this would be more cost effective than starting and maintaining their own programs. The Secretary of Defense should take the necessary actions to accommodate additional civil agencies desiring to join the DOD program.

Agency Comments/Action

The 24 audited agencies generally agreed with the report's conclusions and recommendations. The General Services Administration is currently revising the Federal Property Management Regulations to clarify that silver recovery is mandatory for Government photographic labs. The Departments of Agriculture and Justice and the Bureau of the Census have already joined the DOD precious metals recovery program. Several other agencies are now in formal discussions with DOD to join the program. The Departments of Justice and the Treasury and the Veterans Administration have started agencywide audits to determine the effectiveness of their silver recovery programs. DOD will accomodate additional civil agencies as the need requires.

Appropriations

Property management - All Federal departments

Appropriations Committee Issues

The Committees should direct civil agencies to effectively recover silver from photographic wastes by encouraging internal audits of Government photographic labs and encouraging agencies without effective recovery programs to join the DOD recovery program.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Review of Government-Wide Contracting Systems for Film and Videotape Productions (PLRD-81-61, 9-21-81)

Budget Function: Procurement--Other Than Defense (1007)
Legislative Authority: OMB Bull. 81-16.

GAO reviewed the utilization and operation of the uniform, Government-wide contracting systems for film and videotape productions.

Findings/Conclusions: GAO found that the reports required to be submitted by agencies to the National Audiovisual Center are sometimes inaccurate, incomplete, and untimely and that the utilization of the contracting systems by Federal agencies could be improved. Complete and reliable data are still lacking on the number and value of film and videotape productions being contracted for Government-wide. While agencies are required to annually submit these data to the National Audiovisual Center, officials of the Center have had problems getting agencies to submit timely and accurate reports. Audiovisual program managers at the agencies GAO visited do not verify data that they receive from their regional or field offices before summarizing and forwarding the data to the Center. Without some type of verification, the data are of questionable accuracy and therefore unreliable. Correcting the data accuracy problem is an important first step in correcting the apparent underutilization of the uniform, Government-wide contracting systems for motion picture and videotape productions. The DOD Directorate for Audiovisual Management Policy managers do not compare the number and value of contract awards made through the contracting systems with the total number and value of all Federal film and videotape contracting. Without making these comparisons, managers cannot identify agencies that consistently underutilize the contracting systems and cannot evaluate the reasons for underutilization.

Recommendations: The Director of the Office of Management and Budget (OMB) should direct Directorate managers to compare the number and value of contract awards made through the uniform, Government-wide contracting systems with the total number and value of all Federal film and videotape contracting and to take corrective action where appropriate. The Director of OMB should request agencies to increase their efforts to provide accurate and complete data and urge them to verify their reports to insure completeness and accuracy.

Agency Comments/Action

GAO obtained unofficial oral comments from OMB, the Office of Federal Procurement Policy, the DOD Directorate for Audiovisual Management Policy, and the National Audiovisual Center. They were all in general agreement with the findings and conclusions. No action has yet been taken by OMB as a result of the GAO recommendations.

Appropriations

Audiovisual production and contracting - All Federal agencies
Procurement - All Federal agencies
Operation and maintenance - All Federal agencies

VARIOUS DEPARTMENTS AND AGENCIES

ADMINISTRATIVE OFFICE OF THE UNITED STATES COURTS
DEPARTMENT OF JUSTICE

Reducing Federal Judicial Sentencing and Prosecuting Disparities: A Systemwide Approach Needed (GGD-78-112, 3-19-79)

Budget Function: Administration of Justice: Federal Litigative and Judicial Activities (0752)
Legislative Authority: S. 1437 (95th Cong.). H.R. 6869 (95th Cong.). 21 U.S.C. 841. 18 U.S 4206. 28 U.S.C. 334. 18 U.S.C. 4205. 18 U.S.C. 4254.

Despite considerable attention, differences in the treatment of offenders continue to be a problem throughout the Federal criminal justice system. Although some differences in treatment are necessary, other disparities create doubt about the fairness of the system. The most obvious occur at the time of prosecution and sentencing of defendants who have similar backgrounds and are accused of similar offenses.

Findings/Conclusions: The major reasons that differences occur are due to the limited information available to officials exercising discretion and to the lack of guidance and criteria for those officials to use when exercising discretion. All areas of the criminal justice system lack such guidance. Due to the lack of data reporting procedures and an effective reporting mechanism, only limited information is available for determining whether the type and length of sentences are adequate or whether statutes used in sentencing are appropriate.

Recommendations: As the policymaking body for the Federal judicial system, the Judicial Conference should: establish appropriate policy guidance for judges to use at their discretion in sentencing decisions; establish a reporting and review mechanism to collect sentencing data and to study the adequacy of sentencing decisions; and request from Congress any legislative, statutory, or rule changes needed to improve the sentencing process. The Attorney General should use the results of the ongoing assessments of the prosecutive disparities as a basis for: (1) establishing uniform guidelines and procedures for all U.S. attorneys to use in deciding what violations of the criminal statutes to prosecute; (2) providing U.S. attorneys with policies and procedures to govern their use of plea bargaining so that consistency in plea bargaining can be achieved throughout all districts; and (3) establishing a reporting and review mechanism to collect data on prosecutive decisions and to study the adequacy of these decisions.

Agency Comments/Action

The Administrative Office of the U.S. Courts and the U.S. Parole Commission generally agreed with the report's findings, conclusions, and recommendations. The Department of Justice shared the goals sought by the recommendations but expressed concern over the method of developing certain issues. The Department recognizes the existence of disparity in criminal prosecutions and sentences, and is conducting three empirical studies relating to sentencing and prosecutive decisions. One study will lead to the development of proposals for insuring that prosecutive policies and practices are in accord with Federal law enforcement prioritites and that unwarranted disparities in prosecutive decisions are minimized. Another study is expected to develop data that could be used to develop sentencing guidelines. Finally, a case weight study will provide data on the processing of cases which will determine the extent of disparity in litigative decisions. The Department has also proposed establishing the Bureau of Justice Statistics.

Appropriations

Department of Justice
Administrative Office of the United States Courts

Appropriation Committee Issues

Congress should determine if Justice has developed: (1) sentencing guidelines; (2) proposals for insuring that prosecutive policies and practices are in accordance with Federal law enforcement priorities and that unwarranted disparities in prosecutive decisions are minimized; and (3) an information system for collecting data on prosecutive decisions.

VARIOUS DEPARTMENTS AND AGENCIES

ADMINISTRATIVE CONFERENCE OF THE UNITED STATES
DEPARTMENT OF ENERGY
FEDERAL ENERGY REGULATORY COMMISSION
OFFICE OF PERSONNEL MANAGEMENT

Additional Management Improvements Are Needed To Speed Case Processing at the Federal Energy Regulatory Commission

(EMD-80-54, 7-15-80)

Budget Function: Energy: Energy Information, Policy, and Regulation (0276)
Legislative Authority: Department of Energy Organization Act (P.L. 95-91). Natural Gas Policy Act of 1978. Public Utility Regulatory Policies Act of 1978. Powerplant and Industrial Fuel Use Act of 1978. 18 C.F.R. 2.80. 18 C.F.R. 2.82. 18 C.F.R. 1.1.

Created as an independent regulatory agency within the Department of Energy (DOE), the Federal Energy Regulatory Commission (FERC) is primarily responsible to regulate directly or indirectly electric power, natural gas, and oil in interstate commerce. Under the law, it has also been assigned most of the functions of the former Federal Power Commission, jurisdiction over oil pipeline rates, and other functions previously the responsibilities of the Federal Energy Administration, the Energy Research and Development Administration, and other agencies. The Natural Gas Policy Act of 1978 imposed upon FERC new additional regulatory responsibility for 45 percent of the market for natural gas by bringing much of the previously unregulated intrastate market under FERC jurisdiction. Effective administration of these responsibilities is necessary to provide consumers adequate supplies of energy at reasonable prices and give energy producers the incentives necessary to increase domestic supplies. FERC carries out its assigned functions either through rulemaking or adjudicatory procedures. However, its ability to carry out its responsibilities has been severely hampered by an inefficient case management process; it has a backlog of more than 10,000 unresolved cases, some as old as 17 years.

Findings/Conclusions: Despite the progress FERC has made toward improving case management, it needs to be even more aggressive in expediting case processing in each of its major case processing phases of technical analysis, hearings, and Commission decisionmaking. Two major factors contributing to unnecessary delays in processing time are the large numbers of deficient or incomplete applications received and the extensive delays in the preparation of environmental impact statements by FERC. Deficient applications are caused by the FERC lack of clarity in defining the required data. Delays in completing environmental impact statements are attributable to poor interagency coordination and inordinate delays in starting environmental reviews. While less than 1 percent of the FERC cases go to hearing, they include almost half of those having a significant impact on the Nation's nonnuclear energy supplies and policy. The hearing process can take from 2 to 5 years. The principal cause of this delay was inadequate incentives for administrative law judges (ALJ) and for FERC itself to expedite the hearing process. Decisionmaking, the final phase of the caseload management process, often consumes one-half to three-fourths of total case processing time. Procedural problems collectively delaying this phase for over 1 year include: inefficient intermediate legal review procedures, inadequate managerial accountability for new cases and reconsiderations, and insufficient delegation of authority to expedite considerations of high priority energy decisions.

Recommendations: FERC should: (1) impose reasonable, strict deadlines on applicant response time; (2) use fines and reject incomplete applications; (3) simplify and clarify applicant data requirements; (4) require its staff to begin preparing environmental impact statements immediately after its initial review of an application; (5) intensify its efforts to enter into written interagency coordination agreements; (6) seek the cooperation of its Chief ALJ in discouraging unnecessary delays during the hearing process by urging all law judges to evaluate requests more critically for time extensions and to require all parties to a proceeding to file statements of issues and position prior to the commencement of hearings; (7) process cases through hearings by more strict adherence to rules on interlocutory appeals, imposing reasonable deadlines on final FERC action for all settlements, and imposing a mandatory 30-day time limit on the total comment period for uncontested settlements; (8) improve the efficiency and effectiveness of legal review procedures by encouraging the heads of the Office of the General Counsel and technical staff offices to meet to resolve concerns and to establish constraints on the format, content, and support of staff input to the General Counsel; (9) encourage the Director of the Office of Opinions and Reviews (OOR) and the Chief ALJ to meet to resolve their mutual concerns and establish constraints on initial decisions; (10) review options for limiting and expediting the OOR review process; (11) revise OOR policy; (12) increase managerial accountability for cases pending final action or reconsideration; (13) increase the delegation of FERC authority for noncritical case decisionmaking; (14) increase the number of staff members designated as project managers; (15) increase the accuracy, completeness, and efficiency of the present management information system by incorporating data on average case processing time, centralizing subsystem data bases, supplementing the manual reporting system, and fully automating the method for preparing monthly reports; (16) increase incentives for expediting case processing by establishing and enforcing target dates and deadlines for all parties to a case and seeking new legislation to impose monetary penalties; and (17) expand the use of generic rulemaking to prevent unnecessary relitigation of generic issues. Other recommendations are noted. Congress should require regulatory agencies such as FERC to develop ALJ performance standards and assign the responsibility for periodic evaluation of ALJ performance to an organization other than the employing agency such as the Office of Personnel Management or the Administrative Conference of the United States.

Agency Comments/Action

As of July 1, 1981, FERC had taken action consistent with several of the recommendations in this report. Specifically, it had: (1) reduced burdensome filing requirements and eliminated unecessary forms, (2) expedited the legal review process, and (3) delagated decisionmaking authority to its office directors for more than 3,000 routine matters, thus allowing the Commission more time for major issues. These actions will significantly decrease paperwork, reduce legal and construction costs to private industry, and lower ultimate energy costs to consumers. FERC is in the process of taking additional actions on other recommendations.

Appropriations

Energy information policy and regulation - Department of Energy, Federal Energy Regulatory Commission

Appropriations Committee Issues

Congress should require regulatory agencies such as FERC to develop ALJ performance standards.

VARIOUS DEPARTMENTS AND AGENCIES

ADMINISTRATIVE OFFICE OF THE UNITED STATES COURTS
DEPARTMENT OF JUSTICE
JUDICIAL CONFERENCE OF THE UNITED STATES

Better Management Can Ease Federal Case Backlog
(GGD-81-2, 2-24-81)

Budget Function: Administration of Justice: Federal Litigative and Judicial Activities (0752)
Legislative Authority: Federal Magistrates Act. Speedy Trial Act of 1974.

Actions necessary to deal with the civil case backlog in Federal district courts were discussed. Processing a large volume of cases requires the development and enforcement of a case management system, the use of magistrates and clerks' offices, and an adequate number of judges. GAO found that the degree to which the courts experienced a backlog problem correlated with the extent to which these key requirements were satisfied. Improved court administration would minimize this problem.

Findings/Conclusions: Courts were not taking full advantage of magistrates or personnel from the clerks' offices to assist in processing civil cases. Courts and judges that used the clerks' offices for administering case management and docket control systems had fewer backlog cases. Many judges were unwilling to assign civil case duties to the magistrates because they: (1) believed that magistrates do not expedite the civil process since their decisions can be appealed to the court; (2) wanted full control of all cases; and (3) believed that the opportunities for settlement were greater if they presided over all conferences.

Recommendations: The Judicial Conference of the United States should develop a proposed amendment to the Federal Rules of Civil Procedure to include maximum timeframes for the various steps in the civil process and require each court to establish timeframes within these limits. The Federal Rules also should authorize a judge to waive the time limits for good cause shown, such as case complexity, and to establish alternate time frames where appropriate. The Judicial Conference of the United States should also encourage the district courts to better utilize their clerks' offices in the administration of the courts, particularly for case management and docket control systems, and encourage the district courts to make greater use of the magistrates as provided in the Federal Magistrate Act of 1979.

Agency Comments/Action

The Administrative Office of the United States Courts, in its response to Congress on the recommendations contained in the report agreed with the recommendations, especially the recommendation that specific timeframes be established for processing civil cases. Further, the Administrative Office agreed that these timeframes be monitored and enforced by the courts. However, the Administrative Office did not agree that modifying the Federal Rules of Civil Procedure to establish timeframes was the appropriate vehicle for accomplishing the desired result. Nevertheless, the Administrative Office has referred the matter to the Advisory Committee on Civil Rules of the Judicial Conference for thorough review.

Appropriations

Salaries and expenses - Administrative Office of the United States Courts

VARIOUS DEPARTMENTS AND AGENCIES

AGENCY FOR INTERNATIONAL DEVELOPMENT
DEPARTMENT OF AGRICULTURE
DEPARTMENT OF STATE
OFFICE OF MANAGEMENT AND BUDGET

Food for Development Program Constrained by Unresolved Management and Policy Questions (ID-81-32, 6-23-81)

Budget Function: International Affairs: Foreign Economic and Financial Assistance (0151)
Legislative Authority: Agricultural Trade Development and Assistance Act of 1954 (P.L. 83-480; 7 U.S.C. 1691 et seq.).

The implementation of the 1977 Food for Development amendment to the Agricultural Trade Development and Assistance Act was reviewed. This is the principal legislation under which the United States provides food aid to friendly countries. The review was conducted because of the emphasis in recent years on more closely relating U.S. food aid with recipient country self-help efforts and because of some congressional concerns that the food for development program had not been implemented more rapidly and on a larger scale.

Findings/Conclusions: There is a need to fix responsibility and authority for the design, review, approval, and evaluation of the multiyear development plans under the Act with one lead agency, preferably the Agency for International Development. This lead agency could draw upon the Department of Agriculture and other outside technical expertise in dealing with development planning and implementation. U.S. policymakers face the dilemma of persuading recipient governments to take difficult self-help measures in return for U.S. food aid, which they may perceive that they will get anyway. Agencies also face the problem of getting maximum impact of food aid on development under the Act with its stringent requirements in an environment of highly concessional alternative food aid. A policy framework for linking the concessionality of food assistance to self-help measures needs to be established. Such a policy, if it is to be meaningful, will require close cooperation among the concerned departments and agencies and will require appropriate consultation with congressional committees.

Recommendations: The Administrator of AID, drawing upon USDA and other technical expertise, should prepare the detailed guidance to U.S. overseas missions for the preparation of specific title III proposals. The Administrator of AID, drawing upon USDA and other technical expertise, should provide technical assistance, when requested, to U.S. missions and recipient governments in the preparation of specific title III proposals and in the evaluation of progress made under specific title III agreements. The Secretary of Agriculture, in the Department's role as Chair of the Development Coordination Committee Subcommittee on Food AID, should establish or refine as necessary, standards (1) tailoring the terms and self-help measures of food aid to the purposes for which such assistance is provided and to the needs of recipient countries, and (2) basing the concessionality of future assistance on the degree of recipient countries' self-help performance. The Administrator of AID, drawing upon USDA and other technical expertise, should develop specific country food and agriculture analyses to serve as the foundation for program planning, not only for title III but for the larger issues of integrating U.S. food assistance with other U.S. assistance programs and those of other donors.

Agency Comments/Action

AID advised GAO that it believes it imperative that clear authority and accountability for the development dimensions of Public Law 480 programs be assigned to AID in its role as the development agency. AID said that it has upgraded its office responsible for Public Law 480 matters, instructed the Missions to promote greater development impact of Public Law 480 programs, and is studying its analytical needs. The House Committee on Foreign Affairs, in its report on the International Development Cooperation Act of 1981, reflects the view that further information is needed concerning the potential for strengthening the developmental effectiveness of the Public Law 480 program. The report requested a study including the potential for using terms and interest rates on title I loans as incentives for developmental use of food aid and the relationship between Public Law 480 loan terms and other U.S. loans. AID said that the results of this study would assist in acting on GAO recommendations.

Appropriations

Public Law 480 - Department of Agriculture

Appropriations Committee Issues

GAO continues to believe that AID should be given lead agency responsibility for the development aspects of the Public Law 480 programs and that an overall policy framework needs to be established more closely linking the degree of concessionality of U.S. assistance with recipient country development efforts.

AGENCY FOR INTERNATIONAL DEVELOPMENT
INTERNATIONAL DEVELOPMENT COOPERATION AGENCY

U.S. Strategy Needed for Water Supply Assistance to Developing Countries (ID-81-51, 8-25-81)

Budget Function: International Affairs: Foreign Economic and Financial Assistance (0151)

A review was conducted of water resources development activities and problems in developing countries, especially those problems associated with providing community water supplies. The United States has not developed water policies and strategies despite the fact that much of the billions of dollars in financial support for developing country water projects emanates either directly or indirectly from the United States.

Findings/Conclusions: Numerous problems and constraints limit the progress that developing countries can make toward the United Nations' (UN) goal to provide clean water and adequate sanitation for all by the year 1990. These major constraints involve funding; institutional and manpower needs; concentration of assistance in urban areas, even though the rural poor are in greatest need; and problems in maintaining facilities. Funding assistance needed will have to more than double and developing countries would have to double their own funding just to meet the minimum needed to meet the UN goal. Even if sufficient funds are provided, developing countries would not be able to use the funds efficiently and in time to meet the goal because of a lack of trained personnel. Most of the projects to date have been in urban areas. However, about 70 percent of the population in developing countries live in rural areas. Since developing countries decide themselves where the projects are to be located, the donors need to exert influence to ensure that the rural areas receive at least a portion of the assistance given. Further, information is not systematically generated to apprise host governments and aid donors of water supply maintenance problems and projects which need rehabilitation. Such information could be helpful in deciding how to make the best use of available funds for increased access to water supplies by poor people of developing countries.

Recommendations: The Director of IDCA should establish reasonable and attainable interim goals during the U.N. Water Decade. These goals should be established on a country-by-country basis, consistent with country surveys of water resources and needs. The Director of IDCA should incorporate into loan agreements a requirement that developing countries provide funds for project maintenance. The Director of IDCA should emphasize use of bilateral and multilateral funds for water development activities and projects which will have a significant impact on the rural poor. The Director of IDCA should encourage external donors to provide incentives to developing countries which have demonstrated that they will maintain water supply and sanitation projects. The Director of IDCA should collect and maintain information which would systematically assess the condition of existing water supply and sanitation projects and suggest a program to help those in need of rehabilitation. The Director of IDCA should emphasize the need to fund programs for the institutional development and training of maintenance personnel in those countries having the most critical needs.

Agency Comments/Action

Neither the Agency for International Development (AID) nor IDCA have responded formally to the GAO recommendations.

Appropriations

Foreign economic and financial assistance - Agency for International Development
Foreign economic and financial assistance - International Development Cooperation Agency

Appropriations Committee Issues

The United States contributes substantially through multilateral organizations to irrigation and hydropower development, yet information is inadequate for IDCA to decide whether policies and strategies are needed. The Committees should ensure that AID and IDCA are acting to develop information on these water resource areas so that bilateral and multilateral assistance is allocated effectively.

VARIOUS DEPARTMENTS AND AGENCIES

CENTRAL INTELLIGENCE AGENCY
DEPARTMENT OF DEFENSE
DEPARTMENT OF ENERGY
GENERAL SERVICES ADMINISTRATION
NATIONAL SECURITY COUNCIL

Oversight of the Government's Security Classification Program--Some Improvement Still Needed (LCD-81-13, 12-16-80)

Budget Function: General Government: General Property and Records Management (0804)
Legislative Authority: Atomic Energy Act of 1954. National Security Act. Executive Order 11652. Executive Order 12065. P.L. 86-36. 42 U.S.C. 2162.

A March 1979 GAO report on executive branch oversight discussed the ineffectiveness of the Interagency Classification Review Committee in monitoring the Government's information security program. GAO made several recommendations to ensure that agencies comply with the provisions of the Executive order.

Findings/Conclusions: As a result of the implementation of some of the recommendations, oversight of the program has improved. In some cases, however, the Information Security Oversight Office (ISOO) did not take the necessary actions to ensure effective agency compliance with the order. The staff has almost doubled, and more comprehensive inspections are being made. The Oversight Office's first annual report was more informative than prior reports. The Oversight Office is not requiring agencies to submit complete statistics on the number of classification actions, declassification categories assigned to information, mandatory review requests and appeals, individuals who classify information, and classification infractions. It has taken no steps to implement the GAO recommendation that personnel who are not original classifiers, but who apply classification markings on a derivative basis, be identified on the documents. Oversight Office waivers granted to the Departments of Defense and Energy allowing them to refrain from marking the classification level of each portion of a document containing both national security information and restricted or formerly restricted data covered by the Atomic Energy Act should be rescinded. Agencies have written directives which deny the Oversight Office access to records not specified in the Executive order on the basis of an Oversight Office directive which was intended to control unauthorized dissemination of classified information provided by one agency to another.

Recommendations: The Administrator of General Services should, in consultation with the National Security Council, direct ISOO to revise its instructions to require that personnel who apply derivative classification markings be identified on the documents. The Administrator of General Services should, in consultation with the National Security Council, direct ISOO to rescind the January 30, 1980, waiver to the Departments of Defense and Energy concerning portion marking national security information contained in documents that also contain restricted or formerly restricted data. The Administrator of General Services should, in consultation with the National Security Council, direct ISOO to revise section IV D of its implementing directive to clarify that the only records that can be denied to ISOO in carrying out its oversight function are those whose disclosure would pose an exceptional national security risk. The Administrator of General Services should, in consultation with the National Security Council, direct ISOO to work with agencies to develop cost-effective methods of accumulating and reporting program activity so that agency reports contain complete information on (1) all classification actions, (2) the declassification categories assigned to classification actions, (3) mandatory review requests and appeals, (4) the number of individuals who classify information, and (5) classification infractions.

Agency Comments/Action

The agencies did not agree with two of the recommendations. The recommendation concerning a waiver of DOD and DOE is still under study. The revision of requirements by replacement of Executive Order 12065, now in process, could negate the recommendations.

Appropriations

Operating expenses - General Services Administration, National Archives and Records Service

VARIOUS DEPARTMENTS AND AGENCIES

COMMUNITY SERVICES ADMINISTRATION
DEPARTMENT OF AGRICULTURE
DEPARTMENT OF ENERGY
DEPARTMENT OF HEALTH AND HUMAN SERVICES
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
DEPARTMENT OF LABOR
OFFICE OF MANAGEMENT AND BUDGET

Internal Control Weaknesses Contributed to the Mismanagement and Misuse of Federal Funds at Selected Community Action Agencies
(AFMD-81-54, 7-10-81)

Budget Function: Education, Training, Employment and Social Services: Social Services (0506)
Legislative Authority: Economic Opportunity Act of 1964. OMB Circular A-102. OMB Circular A-110. Treasury Circular 1075.

In 1979, the Federal Government provided an estimated $1.5 billion to 897 community action agencies to develop and conduct programs aimed at eliminating poverty and aiding the poor.

Findings/Conclusions: At 12 community action agencies, GAO found that over $11 million of grant funds were being mismanaged or misused. The problems identified were indicative of weaknesses in the internal controls used to safeguard Federal grant funds provided to these agencies. Excess Federal cash had been used to earn interest income, had been diverted into unrecorded bank accounts, had been loaned to other grant programs, and had been used to subsidize non-Government activities. In addition, some excess funds were embezzled. Some of the community action agencies have used hundreds of thousands of dollars to buy services and rent property from closely related organizations called service corporations. These transactions result in the loss of control over Federal funds and the circumvention of restrictions on the use of grantee funds. Some agencies have charged expenses to more than one Federal grant. Some have not established property control systems to account for assets and have not safeguarded these assets. Assets have been lost, stolen, and improperly disposed of. Weaknesses in internal controls enabled the community action agencies that GAO reviewed to mismanage and misuse Federal grant funds. Agencies did not properly monitor cash balances. No policy instructions had been issued which specifically addressed the relationship of the agencies and their service corporations. Federal agencies responsible for administering similar programs have not coordinated their efforts, received reliable data on Federal reimbursements, nor enforced requirements for property and control systems.

Recommendations: The heads of Federal departments and agencies that provide funds either directly or indirectly to community action agencies should (1) enforce the provisions of OMB Circulars A-102 and A-110 that deal with establishing a strong system of internal controls at the grantee level; (2) develop a system for ensuring that grantees' internal controls are adequate to protect Federal funds from mismanagement and misuse; (3) develop systems to prevent grantees from claiming reimbursement for the same expense under more than one program; (4) follow current cash management policy and recover any excess funds being held by grantees; (5) impose sanctions against grantees who repeatedly maintain excessively high balances of Federal cash; and (6) ensure that grantees adhere to Federal standards relating to property management by periodically reviewing their property management systems. The Director of Community Services should (1) develop an overall policy governing the establishment of service corporations or similar type organizations by community action agencies or their delegates and/or employees; (2) develop monitoring procedures for overseeing the implementation of this overall policy; and (3) review service corporations established by community action agencies prior to this new overall policy to determine if an arm's length relationship exists between the two organizations. The Director of OMB should follow up on the Community Service Administration's efforts to regulate service corporations as part of the OMB budget review process and Financial Priorities Program.

Agency Comments/Action

The Office of Management and Budget (OMB) and the Departments of Agriculture, Energy (DOE), and Labor have submitted their 60-day responses to congressional committees on actions being taken on the GAO recommendations. OMB stated that the GAO recommendation to them was no longer relevant because the Community Services Administration (CSA) would not exist after September 30, 1981, and its grant program to community action agencies would be terminated. Agriculture indicated that, besides procedures and policies already in existence, its newly proposed Uniform Federal Assistance Regulations (published in the Federal Register on July 20, 1981) will cover several problem areas addressed by the GAO recommendations. Agriculture also stated that it is developing a procedure for resolving audits which reveal potential or actual reimbursement of the same expense by two or more Federal programs. Agriculture noted that these procedures have been reviewed by both Headstart and title XX staffs in the Department of

Health and Human Services and will be finalized soon. Agriculture also stated that it is in the process of developing coordinated procedures with Labor. Agriculture stated that dual funding difficulties encountered with title XX will be resolved through the development of resolution procedures and guidance to its regional offices and State agencies. Agriculture also stated that it is unlikely that its Child Care Food Program grantees would have any excess funds because that program is a reimbursement program, with limited advances of 1 or 2 months' expenses sometimes being provided. GAO agrees. GAO findings indicated that most of the excess cash problems involved programs that provided cash advances rather than reimbursements. DOE concurred with all of the GAO recommendations and indicated that it will rely on its procedures and policies currently in place plus the issuing of its Financial Assistance Procedures Manual as a means to act on the GAO recommendations. This manual is intended to provide grants management personnel a greater awareness of their responsibilities and provide procedures for fulfilling them. In its 60-day response, Labor concurred with all of the GAO recommendations, but did not indicate actions it planned to take on them. A Labor official informed GAO that Labor would only be taking action on excess funds because Labor was of the opinion that the GAO findings did not specifically apply to Labor, except in the excess funds area.

Appropriations

Child nutrition - Department of Agriculture, Food and Nutrition Service
Social services - Department of Health and Human Services, Office of Human Development Services
Social services - Department of Energy
Employment and training assistance - Department of Labor
Community planning and development - Department of Housing and Urban Development

Appropriations Committee Issues

The Committees should ensure that CSA, HHS, and HUD submit their 60-day letters on this report as required by the Legislative Reorganization Act of 1970. The Committees should also assure themselves that HHS, the agency which will assume the CSA former funding responsibility for community action agencies, is prepared to address the problems associated with controlling Federal funds used by community action agencies in transactions with their closely related service corporations. In addition, the Committees should direct OMB to oversee the HHS efforts to address problems related to service corporations.

VARIOUS DEPARTMENTS AND AGENCIES

COMMUNITY SERVICES ADMINISTRATION
DEPARTMENT OF AGRICULTURE
DEPARTMENT OF HEALTH AND HUMAN SERVICES

Federal Domestic Food Assistance Programs: A Time for Assessment and Change (CED-78-113, 6-13-78)

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604)
Legislative Authority: Community Services Act of 1974 (42 U.S.C. 2921 et seq.). Food Stamp Act of 1964 (7 U.S.C. 2011 et seq.). Food Stamp Act of 1977 (P.L. 95-113). National School Lunch Act (42 U.S.C. 1751 et seq.). Child Nutrition Act of 1966 (42 U.S.C. 1771 et seq.). Older Americans Act of 1965 (42 U.S.C. 3045 et seq.). 7 U.S.C. 612c. Agricultural Adjustment Act of 1949 (7 U.S.C. 1431). Economic Opportunity Act of 1964 (42 U.S.C. 2701 et seq.). Social Security Act of 1935 (42 U.S.C. 601 et seq.). Social Security Amendments of 1972 (P.L. 92-603, title III, 86 Stat. 1465). Economic Opportunity Act of 1964 (P.L. 88-452, 78 Stat. 508).

Thirteen major Federal domestic programs, costing several billion dollars annually, provide food or food-related assistance to needy Americans. The programs are administered by the Department of Agriculture, the Department of Health and Human Services (HHS), and the Community Services Administration (CSA).

Findings/Conclusions: These programs have helped many people obtain more adequate diets. However, the large and accelerating costs of the programs, their piecemeal authorization and administration, and proposals for comprehensive welfare reform have created a need and opportunity to examine the programs' interrelationships and effectiveness. Multiple participation in the programs, which is sanctioned in legislation, has created a situation in which benefits often exceed amounts average American families of comparable size spend for food. In addition, food stamp allotments, the total value of food stamps a household could receive, alone covered 82 percent to 164 percent of the thrifty food plan diet. If adjustments to the allotments were made based on the ages and sexes of household members, about $570 million less in benefits would be paid out annually. The extent of food benefit gaps and overlaps cannot be measured precisely because of inadequate data collection. If needed studies show that some program participants do not receive adequate benefits, their benefit levels could be increased by using the savings resulting from individualizing food stamp allotments and eliminating program overlaps. Problems also result from varying eligibility criteria and procedures, lack of a uniform definition of "needy," and inadequate program coordination. There is also a lack of adequate data to determine the proper level of benefits, interrelationships of the programs, and the nutritional effectiveness of the programs.

Recommendations: The Secretaries of Agriculture and HHS and the Director, CSA, should: determine the extent of benefit overlaps and gaps among the programs; develop and carry out a way to measure Americans' nutritional status in order to evaluate the effectiveness of food assistance efforts; propose consistent income and asset eligibility requirements and procedures and study their effects on program participation, costs, and work incentives; establish demonstration projects to test procedures for individualized food stamp allotments; study the feasibility of considering benefits from one program when determining eligibility and benefits in other programs, and consolidating administrative aspects of certain programs at the local level; make sure that persons in need of specific benefits from one program are referred to other programs; and study ways to encourage the exchange of information among local administrators to identify potential and ineligible recipients. Congress should, on the basis of the executive branch's study, adopt a definition of "needy," establish consistent criteria and procedures to determine who is eligible for food assistance, eliminate duplicate benefits, and require a single State or local agency to be responsible for food program administration. Congress should also approve a national policy on how much food assistance should be provided to needy Americans, consolidate Federal food programs, and authorize individualized food stamp allotments nationwide if they are shown to be administratively feasible.

Agency Comments/Action

Some action has been taken on some of the recommendations, but no action has been taken to (1) establish demonstration projects to test the feasibility of individualized food stamp allotments, and (2) study the administrative feasibility of considering food benefits from child-feeding programs when determining food stamp eligibility or benefits. Congress has enacted legislation which permits States to consider the value of food stamp benefits as income for Aid for Dependent Children purposes. Legislation pending on September 28, 1981, would direct a study of the feasibility of individualized allotments. Congress has not enacted legislation based on the other GAO recommendations.

Appropriations

Food Stamp Program; Special Milk Program; child nutrition programs; special supplememtal food programs; women, infants, and children; and food donations program - Department of Agriculture, Food and Nutrition Service

Supplemental Security Income Program and Assistance Payments Program - Department of Health and Human Services, Social Security Administration

Human development services - Department of Health and Human Services, Human Development Services

Appropriations Committee Issues

When considering these programs' annual appropriation levels, the Committees should give consideration to the gaps and overlaps existing in these programs and to the possibility that individualizing food stamp benefits based on age and sex could result in more equitable distribution of benefits and/or lower costs.

VARIOUS DEPARTMENTS AND AGENCIES

CORPS OF ENGINEERS (CIVIL FUNCTIONS)
DEPARTMENT OF AGRICULTURE
Soil Conservation Service

Congressional Guidance Needed on Federal Cost Share of Water Resource Projects When Project Benefits Are Not Widespread
(CED-81-12, 11-13-80)

Budget Function: Natural Resources and Environment: Water Resources (0301)

Many water resource projects provide benefits to large segments of the country; however, the Corps of Engineers (CE) and the Soil Conservation Service (SCS) have built some projects that primarily benefit only a few landowners or businesses.

Findings/Conclusions: GAO found that for CE and SCS projects, the non-Federal entity was seldom required to share a larger portion of project cost to compensate for the special benefits, such as land enhancement or increased local taxes. Local sponsors provide land easements, rights-of-way, and utility relocations for most projects. In feasibility studies, the estimated costs of the items are shown as the non-Federal cost share. However, GAO found that the estimated non-Federal cost share in the studies by SCS usually contain extraneous cost items which were not genuine project costs. This inflated the total project cost and also made the non-Federal share appear much higher than it actually was. Land treatment represents 55 percent of the total non-Federal share for all the projects approved by SCS through September 1979. GAO believes land treatment is important and should be strongly encouraged. However, it is misleading to include the estimated cost along with other cost items because: (1) land treatment is the individual landowner's responsibility; (2) land treatment is strictly voluntary, and SCS has little or no control over implementing recommended treatment; (3) SCS does not effectively monitor or follow up on whether the measures are applied, and if so, at what cost; and (4) SCS does not include land treatment measures when estimating each project's benefit/cost ratio.

Recommendations: Congress should clarify its intent regarding cost sharing for future water resource projects which provide significant special local benefits and give additional guidance to the Federal agencies involved in water resource development concerning the projects.

The Secretary of Agriculture should direct the Administrator of SCS to stop including ongoing land treatment measures as part of the estimated project cost and non-Federal share in SCS feasibility studies. The estimated land treatment costs should be itemized but shown separately on a different schedule.

Agency Comments/Action

The agency concurred with the recommendation. The Soil Conservation Service is proceeding to publish a bulletin to the effect that costs of ongoing land treatment should not be included in watershed plans that are not in interagency review by January 1, 1981. This change will be made permanent by incorporating it in the watershed manual presently being revised.

Appropriations

General investigations - Corps of Engineers (Civil Functions)

Watershed planning - Department of Agriculture, Soil Conservation Service

Appropriations Committee Issues

The intent and guidance given to Federal agencies regarding cost sharing for future water projects should be clarified.

VARIOUS DEPARTMENTS AND AGENCIES

CORPS OF ENGINEERS (CIVIL FUNCTIONS)
DEPARTMENT OF AGRICULTURE
DEPARTMENT OF COMMERCE
DEPARTMENT OF THE INTERIOR
Water Resources Council

Congressional Action Needed To Provide a Better Focus on Water-Related Research (CED-81-87, 6-5-81)

Budget Function: Natural Resources and Environment: Water Resources (0301)
Legislative Authority: Water Resources Research Act of 1964 (P.L. 88-379). Water Research and Development Act of 1978 (P.L. 95-467). P.L. 94-587.

The Nation faces serious water problems in the West and certain other areas of the country. Developing and implementing technologies that conserve or augment water supplies could help alleviate these problems. These efforts and other water-related research and development activities are fragmented among 28 Federal organizations that plan to spend about $380 million during fiscal year 1981.

Findings/Conclusions: A comparative assessment of conservation and augmentation technologies is needed to establish water research priorities and allocate the research funds. GAO found considerable disagreement as to which technologies have the most potential for solving water supply and quality problems. There appears to be no correlation between the potential of some technologies and their relative level of Federal funding. Before assessing the various technologies, regional and local water problems and potential alternative solutions should be identified. The comparative assessment should also identify and evaluate the impact of technical, environmental, legal, and social obstacles on each technology's potential. Formal plans should be developed based on the results of the comparative assessment. GAO found that some agencies had not prepared formal plans, others had prepared plans that lacked many elements, plans did not provide for periodic independent evaluations, and many plans lacked specific, measurable objectives and estimated completion dates. GAO examined the advantages and disadvantages of various organizations having the responsibility for coordinating water research.

Recommendations: Congress should amend section 406 of the Water Research and Development Act to require the Federal organization Congress chooses to coordinate research to (1) establish priorities for water conservation and augmentation technologies based upon the results of overall comparative assessments of these technologies; (2) provide leadership and guidance to other agencies in developing formal multiagency and single-agency plans for the technologies with specific objectives, milestones, technology transfer goals, and provisions for independent, periodic evaluations; (3) make recommendations annually to Congress concerning the adequacy of the funding levels of water research, development, and technology transfer activities; (4) consider the data developed pursuant to section 103 of the Act in coordinating research and establishing research priorities. Congress should amend section 406 of the Water Research and Development Act of 1978 to require Water Resources Council (WRC) to coordinate water-related research provided Congress believes it desirable to have an independent, full-time WRC chairperson and resolves the issue of continued existence of WRC. Otherwise, Congress should amend section 406 to establish a water resources research committee reporting directly to the Office of Science and Technology Policy. This committee should be composed of representatives from the major Federal organizations involved in water resources research.

Agency Comments/Action

The agencies agreed that there is concern for the responsibility of coordinating water-related research. No agency action has taken place, however, pending the outcome of the Administration's decision not to fund the existing Water Resources Council beyond fiscal year 1981.

Appropriations

Federal funds - Water Resources Council

Appropriations Committee Issues

The Committees should ensure that the responsibilities for water resources research are adequately assigned to the Federal organization Congress chooses to coordinate research for fiscal year 1982.

VARIOUS DEPARTMENTS AND AGENCIES

CORPS OF ENGINEERS (CIVIL FUNCTIONS)
DEPARTMENT OF AGRICULTURE
DEPARTMENT OF LABOR
DEPARTMENT OF THE INTERIOR
Water and Power Resources Service

Federal Water Resources Agencies Should Assess Less Costly Ways To Comply With Regulations (CED-81-36, 2-17-81)

Budget Function: Natural Resources and Environment: Water Resources (0301)
Legislative Authority: Environmental Policy Act of 1969 (National) (42 U.S.C. 4321 et seq.). Fish and Wildlife Coordination Act (16 U.S.C. 661 et seq.). Historic Preservation Act (16 U.S.C. 470 et seq.). Executive Order 11246.

The rapid growth of Government regulations, coupled with recent economic difficulties facing the Nation, has heightened public concern over regulatory costs and burdens. The President has ordered agencies which write regulations to evaluate their economic impact.

Findings/Conclusions: Many social and environmental regulations have a major impact on the costs, competition, and the administration of Federal water resources projects. Agencies and contractors have major compliance responsibilities during construction, and both are concerned with the cost and burden of regulations, especially the cumulative impact. GAO interviewed construction officials about their concerns in several regulatory areas and studied compliance practices in the areas of fish and wildlife conservation, cultural properties protection, and employment of women in construction. Construction officials were concerned about the cumulative cost and burden of regulations, the lack of consideration of economic impacts, and coordination difficulties. The case studies showed that, when agencies planned projects, they did not develop enough information on costs, burdens, and benefits to evaluate alternatives. Contractors had insufficient knowledge and advice in the area of regulation compliance. Time factors prevented agencies from developing more information on alternatives.

Recommendations: The Director of the Water Resources Council should develop methods and techniques which construction agencies can use in evaluating alternative means of compliance with social and environmental regulations and consider sharing them with other Federal, State, or local agencies that might benefit from such information. The Secretary of the Army should direct the Chief of Engineers, and the Secretary of the Interior should direct the Commissioner of the Water and Power Resources Service, to evaluate alternative methods of compliance with social and environmental regulations in construction and initiate action for doing so which satisfies the needs listed above.

Agency Comments/Action

The Water Resources Council agreed with the GAO conclusion and stated that the revised Principles and Standards address, in part, the report's recommendation. The Corps of Engineers commented that management attention has been directed toward incorporating regulatory compliance measures into the planning and design phases of project development to avoid compliance problems. The Department of the Interior agreed with the recommendation and directed the Bureau of Reclamation to evaluate alternative methods of compliance with social and environmental regulations to assure that the most economical and efficient means are utilized in the planning, construction, and operation of water projects.

Appropriations

Federal funds - Water Resources Council
General investigations - Department of the Army, Corps of Engineers (Civil Functions)
General investigations - Department of the Interior

Appropriations Committee Issues

The Committees should monitor the agencies' progress toward including compliance measures in project plans and designs that would preclude future compliance problems for project development.

VARIOUS DEPARTMENTS AND AGENCIES

CORPS OF ENGINEERS (CIVIL FUNCTIONS)
DEPARTMENT OF AGRICULTURE
Forest Service
DEPARTMENT OF THE INTERIOR
National Park Service
Water and Power Resources Service

Impact of Gasoline Constraints Should Be Considered in Managing Federal Recreation Facilities (CED-81-111, 6-30-81)

Budget Function: Community and Regional Development (0450)

During 1979 and 1980, when gasoline was in short supply and prices rose, the public's use of outdoor recreation facilities was significantly affected. People tended to use facilities closer to home. Recreation officials observed: longer stays at campgrounds; less vehicular movement within and between recreation areas; increased use of tents; and use of smaller cars, trucks, and recreational vehicles. The National Park Service experienced heavy declines in visitation at distant facilities. At the same time, the use of facilities in and near cities increased.

Findings/Conclusions: Most Federal agencies have not done enough to respond to indications that people are pursuing recreation closer to home and might want to use less gasoline while doing so. Forest Service policies include encouraging energy efficient transportation systems and locating new facilities near them. In addition, the National Park Service has developed a policy to promote public and nonmotorized transportation. However, neither agency has done much to carry out these policies. The Corps of Engineers and the Water and Power Resources Service (WPRS) have not taken any steps to develop recreation policies which take public gasoline conservation into consideration. Many measures undertaken for environmental protection or public service motives have had incidental gasoline conservation effects, such as shuttle bus service within parks and campground reservation policies. Recreation managers could make greater use of the National Park Service's exchange program by sharing information on gasoline conservation measures. Recreation managers need better forecasts of visitation trends so that they can consider applying their limited resources to facilities where more people are expected to go. Better forecasts will be needed to identify what factors affect recreation patterns and to forecast visitation levels. Forecasting research has been uncoordinated and has focused on determining recreation use at a point in time rather than establishing recreation trends. Statistical forecasting models could help improve recreation planning and management.

Recommendations: The Secretary of the Interior should coordinate and monitor research performed by various agencies on the long- and short-term effects that fuel shortages and high fuel costs have on the use of recreation facilities. The Secretaries of the Interior and Defense should require WPRS and the Corps of Engineers to adopt gasoline conservation policies. The Secretaries of the Interior, Agriculture, and Defense should require their agencies to consider the results of improved forecasts in allocating financial resources to recreational facilities.

Agency Comments/Action

The Department of the Army, Corps of Engineers, by letter dated September 8, 1981, said the Corps has already adopted the DOD energy conservation guidance and policy in its energy plan and is currently collecting trend data and conducting research which should add significantly to the state-of-the-art in visitation prediction.

VARIOUS DEPARTMENTS AND AGENCIES

CORPS OF ENGINEERS (CIVIL FUNCTIONS)
DEPARTMENT OF AGRICULTURE
Forest Service
Soil Conservation Service
DEPARTMENT OF THE INTERIOR
Water and Power Resources Service
FEDERAL COORDINATING COUNCIL FOR SCIENCE, ENGINEERING, AND TECHNOLOGY

Improving the Safety of Our Nation's Dams--Progress and Issues *(CED-79-30, 3-8-79)*

Budget Function: Natural Resources and Environment: Water Resources (0301)
Legislative Authority: National Dam Inspection Act (P.L. 92-367). Reclamation Safety of Dams Act of 1978 (P.L. 95-578). P.L. 95-96. S. Rept. 95-830. S. Rept. 95-834. S. 1253 (95th Cong.). S. 1254 (95th Cong.).

The Corps of Engineers inspected about 1,800 non-Federal dams during 1978 in an effort to discover potentially hazardous conditions that threaten dam safety. Many deficiencies were noted, and remedial measures, were recommended to dam owners and States. There is a need to improve the nation's Federal dams, and guidelines are being developed to help coordinate the dam safety efforts of Federal agencies.

Findings/Conclusions: The key safety issues to be resolved concern non-Federal dams. The cooperation of dam owners and willingness of the States to continue efforts begun by the Corps non-Federal dam inspection program are needed; however, many dam owners lack the financial resources, willingness, or understanding to take recommended remedial measures and the States do not have legislative authority, funds, or trained personnel to conduct their own programs. The study of five selected States showed that, although some States have improved their programs, many of the improvements, such as hiring additional personnel and providing training, are dependent upon financing by the Corps of Engineers and may not continue when the financial assistance program ends in 1981.

Recommendations: The Secretary of the Army should direct the Chief, Corps of Engineers, to: collect and analyze sufficient information to determine an appropriate long-term Federal role in non-Federal dam safety and make that information available to the Congress; monitor on a continuing basis State and dam owner actions to increase non-Federal dam safety; and verify and update the 1975 inventory of non-Federal dams after clarifying definitions of hazard categories. The Secretary of the Interior should direct the Commissioner of Reclamation and the Secretary of the Army should direct the Chief of Engineers to incorporate in agency regulations those existing policies intended to increase dam safety. The Federal dam safety guidelines may benefit the States in many respects, and the Chairman of the Federal Coordinating Council for Science, Engineering, and Technology should furnish approved Federal dam safety guidelines to State governments for use as a model for non-Federal dam safety. Congress should direct the Corps of Engineers to propose legislation defining an appropriate long-term Federal role in non-Federal dam safety. This would include a logical extension of the dam inspection program and would provide a method to gather the information needed so that Congress may consider a national dam safety program.

Agency Comments/Action

Agencies generally agreed and are taking actions to implement the recommendations.

Appropriations

Operation and maintenance - Department of the Army, Corps of Engineers (Civil Functions)
Operation and maintenance - Department of Interior, Water and Power Resources Service

Appropriations Committee Issues

The adequacy of the corrective actions by the agencies should be considered when reviewing appropriation requests for Federal water resource projects.

VARIOUS DEPARTMENTS AND AGENCIES

CORPS OF ENGINEERS (CIVIL FUNCTIONS)
DEPARTMENT OF AGRICULTURE
Office of Water Research and Technology
DEPARTMENT OF THE INTERIOR
Geological Survey

Ground Water Overdrafting Must Be Controlled
(CED-80-96, 9-12-80)

Budget Function: Natural Resources and Environment: Water Resources (0301)

The demand for water in many areas of the Nation is being met by overdrafting ground water, which is extracting more ground water than will be replenished over a long period of time. Overdrafting is not necessarily bad; however, if it is continued indefinitely the resulting problems may ultimately affect the Nation's ability to meet ever-increasing demands for food and other agricultural products. Therefore, GAO undertook a review of the numerous problems associated with ground water overdrafting to determine the seriousness of the overdrafting problems in States and communities that have not implemented ground water controls.

Findings/Conclusions: In its review, GAO found that overdrafting is most serious in the arid and semiarid Western States where irrigation of crops accounts for over half of all ground water use. GAO found that several problems can result from overdrafting, such as: (1) land subsidence; (2) saltwater intrusion into freshwater aquifers; (3) reduced surface water flows; (4) increased energy consumption; and (5) disruption of social and economic activities. Some States, such as Colorado, New Mexico, and Florida, have generally succeeded in controlling overdraft of their underground aquifers. However, other States, such as California and Arizona, currently impose little, if any, control on the use of ground water; and both States suffer serious overdraft problems. Although the Federal Government only manages water resources on Federal lands, it has assisted States with overdraft problems by constructing multipurpose water development projects to replace or supplement ground water.

Recommendations: Congress should direct the Departments of the Interior, Agriculture, and the Army to require, before start of construction on any water resources or ground water depletion mitigation project, that the affected State or community implement, or have specific plans to implement, a program or some means for controlling ground water pumping and a water conservation program.

Appropriations

Planning - Department of Army, Corps of Engineers (Civil Functions)
Planning - Department of Agriculture, Soil Conservation Service
Planning - Department of the Interior, Water and Power Resources Service

Appropriations Committee Issues

Because the Committees provide specific line item appropriations for water resources projects, they should direct Federal agencies to discourage uncontrolled ground water overdrafting.

VARIOUS DEPARTMENTS AND AGENCIES

CORPS OF ENGINEERS (CIVIL FUNCTIONS)
DEPARTMENT OF COMMERCE
National Oceanic and Atmospheric Administration
DEPARTMENT OF THE INTERIOR
ENVIRONMENTAL PROTECTION AGENCY

Impact of Regulations--After Federal Leasing--On Outer Continental Shelf Oil and Gas Development (EMD-81-48, 2-27-81)

Budget Function: Energy: Energy Supply (0271)
Legislative Authority: Outer Continental Oil Shelf Lands Act. Outer Continental Shelf Lands Act Amendments of 1978. Environmental Policy Act of 1969 (National). Marine Protection, Research, and Sanctuaries Act of 1972. Endangered Species Act of 1973. Clean Water Act of 1977. Coastal Zone Management Act of 1972. Submerged Lands Act. Permit Streamlining Act of 1977 (California).

After industry acquires outer continental shelf (OCS) lands, several Federal and State permits or approvals are needed before any drilling activity may begin. With the Outer Continental Oil Shelf Lands Act Amendments of 1978, Congress sought to interject a balance between development of oil and gas resources and preservation of other coastal water resources. GAO evaluated the effects of requirements stemming from the amendments and other legislation on industry efforts to explore and develop oil and gas resources after leases are awarded.

Findings/Conclusions: The real impact of the amendments is still largely unknown because new rules and regulations have not been fully tested in any of the OCS areas. Before any activity can take place on leases on the OCS, the Geological Survey must approve industry's plans for exploration and development. Regulations instituted by the Survey significantly increased the time required for approval in the Gulf of Mexico region. Revised regulations implemented to meet the mandated timeframes specified in the amendments have improved the Survey's responsiveness, but processing times will probably never return to pre-1978 lengths. Four Federal agencies primarily are involved in issuing permits before exploration or development activities can proceed. A delay by one can hold up the entire process. The most serious delays have been caused by agencies where timeframes to issue permits are not legislatively mandated. The Environmental Protection Agency (EPA) drilling discharge permits are the most time-consuming and have had perhaps the greatest effect on OCS operations. Agencies generally have not actively monitored, enforced, or evaluated the effectiveness of regulatory requirements. The increased role of State and local governments does not have to delay operations, but that potential exists. Despite the regulatory process, GAO found a credible record by industry in pursuing offshore oil and gas.

Recommendations: Congress should enact legislation to establish a standard, reasonable time within which all Federal agencies, particularly the Department of the Interior, Environmental Protection Agency and the Corps of Engineers, are required to complete approvals and issue permits. A maximum 90-day turnaround time should be the general rule, including the time for State consistency reviews. The Secretary of Commerce, working through the Coastal Zone Management Program and the Steering Committee, should encourage and assist other coastal States in developing legislation and administrative procedures similar to California for making local permitting and review processes more uniform, timely and coordinated. The Secretary of the Interior should complement that undertaking by requiring the Department to encourage States in developing cooperative programs and to seek greater participation in joint review processes. The Secretary of the Interior should also establish within the Department a permit assistance office, patterned after the California example, and charge it with such tasks as helping applicants understand the permitting process; working with other permitting agencies; helping to mediate disputes; coordinating joint evaluation programs; consolidating public hearings; monitoring decision time limits; and feeding back information to the newly created Steering Committee.

Agency Comments/Action

The Corps of Engineers has taken issue with the GAO recommendation to Congress because permitting is already being done by this agency within 90 days. However, GAO continues to believe legislation is necessary since the other agencies involved are not as timely. EPA and the Department of the Interior have made efforts to improve coordination and streamline their processes for leasing.

Appropriations

Energy development - Department of the Interior
Energy development - Department of Commerce

Appropriations Committee Issues

Reductions in Commerce Department Coastal Energy Impact Funds and Coastal Zone Management Funds may impede the National Oceanic and Atmospheric Administration's efforts to assist coastal states in developing streamlined permit processes. The Committees should consider the impacts of reduced levels of funding for these programs.

VARIOUS DEPARTMENTS AND AGENCIES

CORPS OF ENGINEERS (CIVIL FUNCTIONS)
DEPARTMENT OF THE INTERIOR

Increased Productivity Can Lead to Lower Costs at Federal Hydroelectric Plants (FGMSD-79-15, 5-29-79)

Budget Function: General Government: Executive Direction and Management (0802)

Based on production cost data from the Federal Energy Regulatory Commission, a comparison was made of the operations of Federal and private sector hydroelectric powerplants. As the basis of comparison, GAO selected 6 Federal systems, consisting of 95 plants, and 5 comparable private systems, consisting of 47 plants. The large Federal plants were not included because there were no comparable private plants. The review focused on plants operated by the Army Corps of Engineers and the Bureau of Reclamation.

Findings/Conclusions: Although operation and maintenance costs for individual plants varied considerably, production costs of the private plants were less than those of Federal systems: $2.72 per kilowatt-hour versus $3.29 per kilowatt-hour, based on plant capacity. Based on 1973 to 1975 data, the Federal hydroelectric systems had about 48 percent more employees per plant than private systems. Assuming that Federal plants could have operated with comparable staffing levels, the Government plants would have needed 447 fewer employees. Delays in the design or installation of automation and remote control in 17 Corps and Bureau projects have prevented the Government from saving potentially $1.5 million. Close control of maintenance costs can also yield savings at hydroelectric plants. Neither the Corps nor the Bureau has a uniform maintenance management information system that allows managers to evaluate maintenance performance effectively.

Recommendations: The Secretaries of the Army and the Interior should direct the Corps of Engineers and the Bureau of Reclamation to complete the automation and conversion to remote control of those hydroelectric plants where such changes have been evaluated and are both feasible and cost effective. Budget justifications for automated and remote controlled projects should be evaluated where feasible. Uniform maintenance management information systems for use by all organizational levels in operating and maintaining hydroelectric plants should be established. The operation and maintenance costs of hydroelectric powerplants should be evaluated, taking into consideration the staffing disparity between the public and private sectors. Further, consideration should be given to reassigning or retraining personnel and eliminating personnel through attrition in plants that are automated or remote controlled. Also, the validity of cost allocations for the current joint activity (for example, flood control and recreation) needs to be assessed.

Agency Comments/Action

In response to the report, the Corps of Engineers and the Bureau of Reclamation advised that they were implementing the recommendations in the report and that they essentially concurred with its findings, conclusion, and recommendations.

Appropriations

Department of the Interior, Bureau of Reclamation
Department of the Army, Corps of Engineers (Civil Functions)

Appropriations Committee Issues

The Committees should assure that the Corps of Engineers and the Bureau of Reclamation have implemented the recommendations of this report.

VARIOUS DEPARTMENTS AND AGENCIES

CORPS OF ENGINEERS (CIVIL FUNCTIONS)
DEPARTMENT OF THE INTERIOR

Contracts To Provide Space in Federal Reservoirs for Future Water Supplies Should Be More Flexible (CED-80-78, 5-16-80)

Budget Function: Natural Resources and Environment: Water Resources (0301)
Legislative Authority: Water Supply Act of 1958 (P.L. 85-500). Flood Control Act of 1970. P.L. 87-88.

As part of its ongoing effort to contribute to a better understanding of, and timely consideration of, ways to solve the key water problems facing the Nation, GAO reviewed Federal contracting procedures for municipal water supply storage at Federal reservoirs and the need to include cost estimates for transporting such water to the user's treatment facilities. The Water Supply Act of 1958 authorizes the expenditure of funds by the Army Corps of Engineers and the Department of the Interior's Water and Power Resources Service to include space in reservoirs for future municipal and industrial water supplies. These agencies must obtain reasonable assurance that the water supplies will be needed and that users will repay the Federal costs within the life of the project.

Findings/Conclusions: The Corps of Engineers provides future storage space with little assurance of community water use and repayment ability. Generally, it relies on nonbinding written assurances and contracts which do not require potential users to repay any of the costs until they start using the water supplies. The reliability of assurances is questionable because the Corps does not present the entire financial picture to the potential user. The Corps does not usually build conveyance facilities to transport water to the user, nor does it include estimates of conveyance costs in its design memorandums. These conveyance facilities can cost more than the Corps' initial construction of storage for future water supplies. The Water and Power Resources Service requires potential users to repay Federal costs for including water storage space even if they never use the water. This requirement exceeds the intent of the Water Supply Act of 1958. Such repayments could cause undue hardships on local communities if they fail to experience the growth anticipated when they signed the contracts. Both the Corps and the Resources Service contracts give potential users permanent and exclusive rights to the storage space. At several Resources Service reservoirs, option-type contracts are used. Potential users pay fees to reserve rights for water delivery but can terminate the contracts if they reduce their estimates of future water needs. The Resources Service can also terminate the contracts if it receives bona fide offers from other parties with earlier needs.

Recommendations: The Army Corps of Engineers and the Department of the Interior's Water and Power Resources Service should adopt option contracts which: (1) charge for the option to purchase water storage rights; (2) allow the agencies to cancel contracts of a bona fide water user, which has obtained or will obtain the rights to the water, requests the water before the option holder has started using it, and the option holder elects not to initiate immediate repayment; and (3) allow the option holder to terminate all or part of the contract if its water needs do not materialize as estimated. The Corps of Engineers' design memorandums should include estimated costs of conveyance facilities and information on whether the users can pay for them.

Agency Comments/Action

The Corps officials agreed with the GAO conclusions and recommendations. The Water and Power Resources Service acknowledged that its repayment policy exceeds the intent of the Water Supply Act of 1958. However, it believes contract requirements are in the best interests of the Federal Government because they assure repayment.

Appropriations

Operation and maintenance - Department of the Army, Corps of Engineers (Civil Functions)
Operation and maintenance - Department of the Interior, Water and Power Resources Service

Appropriations Committee Issues

The Committees should assure that the Corps of Engineers and Water and Power Resources Service have implemented the recommendations of this report.

CORPS OF ENGINEERS (CIVIL FUNCTIONS)
DEPARTMENT OF THE INTERIOR
Bureau of Reclamation

Health and Safety Deficiencies Found at Water Recreation Areas
(CED-81-88, 6-15-81)

Budget Function: Natural Resources and Environment: Recreational Resources (0303)
Legislative Authority: Water Project Recreation Act. Safe Drinking Water Act (P.L. 93-523). Safe Drinking Water Amendments 1977 (P.L. 95-190). Flood Control Act of 1962.

GAO was requested to review the health and safety conditions of nonfederally managed water recreation areas of the Corps of Engineers' and the Water and Power Resources Service's (WPRS) reservoirs.

Findings/Conclusions: GAO found several types of health and safety deficiencies at the Corps and the WPRS areas. These included: (1) poorly designed, overused, or malfunctioning sanitation systems; (2) structurally unsafe picnic and restroom facilities; (3) a dam spillway without a barrier; and (4) inadequate disinfection or filtration systems and excessive bacteria or turbidity levels in drinking water. Corps and WPRS headquarters recreation management officials stated that regular and thorough inspections are not conducted nor are local managing officials directed to make needed improvements. These officials stated that funding constraints make it difficult to effectively monitor the condition of nonfederally managed recreation areas. Non-Federal public agencies' officials acknowledged responsibility for operating and maintaining recreation areas in a safe and healthy condition but stated that they lacked adequate funds. These officials claim that operation and maintenance costs and visitor use have increased over the years but that recreation budgets have not kept pace. As a result, non-Federal agencies have turned over management of a number of areas to the Federal agencies.

Recommendations: The Secretaries of the Interior and the Army should review the status of returned recreation areas to determine whether areas with health and safety deficiencies should be improved, operated and maintained, posted as unsafe, or closed. The Secretaries of the Interior and the Army should seek necessary funds and authority from Congress to close or to improve, operate and maintain returned recreation areas and those Service areas that were never turned over to a local manager. The Secretaries of the Interior and the Army should regularly and thoroughly inspect nonfederally managed Corps and WPRS recreation areas to identify health and safety deficiencies and require the managing agency to correct the identified deficiencies, post the areas as unsafe, or close them.

Appropriations

Natural resources and environment - Department of the Interior, Bureau of Reclamation
Natural resources and environment - Corps of Engineers (Civil Functions)
Recreation areas - Department of the Interior, Bureau of Reclamation
Recreation areas - Corps of Engineers (Civil Functions)

Appropriations Committee Issues

The Committees should monitor health and safety conditions at water recreation areas.

CORPS OF ENGINEERS (CIVIL FUNCTIONS)
DEPARTMENT OF THE INTERIOR
Bureau of Reclamation

Eliminating Contractor Inspections of Federal Water Projects Could Save Millions (CED-81-146, 9-29-81)

Budget Function: Natural Resources and Environment: Water Resources (0301)
Legislative Authority: Reclamation Act (43 U.S.C. 371 et seq.). 4 Stat. 32.

GAO reviewed three approaches to inspecting the construction of dams, powerhouses, and other Federal water projects: (1) contractor self-inspection with agency monitoring, used by the Corps of Engineers; (2) agency inspection, used by the Bureau of Reclamation; and (3) third-party inspection, occasionally used by both agencies. The objective of the review was to determine the most economical way of accomplishing inspection objectives for water projects.

Findings/Conclusions: GAO favors agency inspections over contractor inspections because they are considered to be more objective in ensuring contractor compliance with the quality controls established in agency designs and specifications. In addition, inspectors who are independent of construction contractors appear less production-oriented and more concerned about project quality than contractor personnel. Third-party organizations can provide inspections that are independent of the construction contractor, but experience indicates that these inspections are too costly and administratively burdensome to be viable alternatives to agency inspections, except in limited circumstances. Past experience and several studies have demonstrated the ineffectiveness of contractor inspection requirements. Rather than improving construction quality while reducing Government inspections, the requirement has resulted in a duplication of inspection efforts and facilities, unnecessary paperwork, and increased administrative costs.

Recommendations: To help reduce costs and provide the quality control essential for activities involved in constructing dams, powerhouses, and other water projects, the Secretary of Defense should exempt Corps of Engineers' water project construction activities from the requirement for contractor inspections.

Agency Comments/Action

Both the Army and the Interior concurred with the GAO recommendations but no action has been promised or taken.

Appropriations

General construction - Corps of Engineers (Civil Functions)

VARIOUS DEPARTMENTS AND AGENCIES

CORPS OF ENGINEERS (CIVIL FUNCTIONS)
DEPARTMENT OF THE INTERIOR
Fish and Wildlife Service

Cost Estimate for the Currituck Outer Banks National Wildlife Refuge Needs Revision (CED-81-48, 4-21-81)

Budget Function: Natural Resources and Environment: Conservation and Land Management (0302)
Legislative Authority: Environmental Policy Act of 1969 (National). River and Harbor Act of 1899. Clean Water Act of 1977.

The U.S. Fish and Wildlife Service has proposed establishing a national wildlife refuge in the Currituck Outer Banks off the North Carolina coast. The Service has estimated that the cost of acquiring the 16,000 acres of land and wetlands for the refuge will be about $94 million over a 5-year acquisition period. GAO was asked to determine whether the Service followed its regulations and policies in developing its proposal for the refuge.

Findings/Conclusions: In proposing the refuge, the Service generally adhered to the requirements of the National Environmental Policy Act. However, in developing its cost estimate, the Service did not consider a number of factors that could substantially reduce the cost of establishing the refuge. GAO found that: (1) the data used in preparing the estimate were unreliable; (2) certain costs were not considered, such as the acquisition of subdivision roads and the possibility of a higher property escalation rate; and (3) there were inconsistencies among the options in land classification, values, and the number of lots. In addition, GAO believes that the wetlands could be protected by working with the Army Corps of Engineers using existing regulatory authority, thus eliminating the need for the Service to acquire them.

Recommendations: The Secretary of the Interior should require the Fish and Wildlife Service to revise its cost estimate for the refuge considering the factors discussed in pages 4 to 7 of this letter and provide the revised estimate to Congress when requesting appropriations for the refuge. The Secretaries of the Interior and the Army should develop a cooperative agreement by which the Corps of Engineers could protect the wetlands without the Service having to acquire full title to such lands.

Appropriations

Conservation and land management - Department of the Interior, United States Fish and Wildlife Service
Conservation and land management - Corps of Engineers

Appropriations Committee Issues

The Committees should consider the accuracy of cost estimates, and alternatives to land acquisition.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF AGRICULTURE
DEPARTMENT OF DEFENSE
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
VETERANS ADMINISTRATION

Energy-Efficient and Cost-Effective Equipment Should Be Installed in New Government Housing (EMD-81-93, 9-16-81)

Budget Function: Energy: Energy Conservation (0272)
Legislative Authority: Energy Conservation Policy Act (P.L. 95-619).

GAO evaluated the efforts being made and the actions that could be taken to make Government housing more energy efficient.

Findings/Conclusions: GAO believes that energy consumption could be substantially reduced in new housing if energy-efficient equipment were installed in Government owned, subsidized, and insured housing. Although Federal agencies have taken actions to conserve energy by reducing the heating and cooling loss through housing programs, most of the actions do not deal with the efficiency of furnaces, air conditioners, and water heaters. Normal market forces, in themselves, do not encourage the installation of the most energy-efficient and cost-effective equipment. The developer of such housing, rather than the ultimate homeowner, normally selects the heating and cooling equipment to be installed. Developers are primarily concerned with installing equipment that adequately performs the required functions at the least cost. The initial higher price of energy-efficient equipment generally results in selecting the cheaper, less efficient equipment. However, in many cases, installation of relatively inefficient equipment results in higher costs for the home buyer. Where use is sufficient, the higher costs of owning and operating readily available energy-efficient equipment is less. The installation of such equipment frequently reduces the homeowner's monthly combined outlays for house payments and utility bills.

Recommendations: The Secretaries of Defense and Housing and Urban Development and the Administrator of the Farmers Home Administration should continue to expand their energy conservation efforts by administratively requiring the installation of high-efficiency heating and cooling equipment in housing that they either own or subsidize. The level of equipment efficiency to be required should be determined in cooperation and coordination with the Department of Energy. For Government insured and guaranteed housing, the Secretary of Housing and Urban Development and the Administrator of Veterans Affairs should promote, through their contacts with builders and buyers, the benefits and encourage the installation of high energy-efficient equipment.

Agency Comments/Action

The departments and agencies involved have not yet formally responded to the recommendations.

Appropriations

Subsidized and insured housing - Department of Housing and Urban Development
Military construction - Department of Defense
Housing programs - Department of Agriculture, Farmers Home Administration
Guaranteed housing - Veterans Administration

Appropriations Committee Issues

The committees should assure that those agencies that either own or subsidize housing adopt procedures to promote the installation of higher efficiency equipment.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF AGRICULTURE
DEPARTMENT OF DEFENSE
GENERAL SERVICES ADMINISTRATION

The Nation's Unused Wood Offers Vast Potential Energy and Product Benefits (EMD-81-6, 3-3-81)

Budget Function: Natural Resources and Environment: Other Natural Resources (0306)
Legislative Authority: Wood Residue Utilization Act of 1980 (P.L. 96-554). Public Utility Regulatory Policies Act of 1978 (92 Stat. 3117). Energy Tax Act of 1978 (P.L. 95-618). Clean Air Act Amendments of 1977 (42 U.S.C. 7401 et seq.). P.L. 95-617. P.L. 95-621. S. 1775 (96th Cong.).

Immense quantities of wood residues are wasted in the United States in the form of decaying logging residues and dead trees, unused wood processing residues, and large, untapped acreages of small, defective, and other lower value trees. Wood residues could be an important energy source. A study was made of Federal policies that are contributing to this lost potential.

Findings/Conclusions: GAO identified numerous factors standing in the way of greater use of wood residues for energy and products. These barriers include inadequate data on the volume, location, accessibility, and availability of forest residues; lack of economical and effective equipment for harvesting and transportation of residues; lack of investment capital needed for harvesting and using residues; and limited awareness and acceptance of wood energy and product technology among industrial firms, utilities, and State and local bodies. Other obstacles pertain to Federal forest management policies and programs, utility practices and regulations, and environmental concerns related to greater use of residues. The Forest Service and the Department of Energy have made little progress in developing a national wood residue plan. The agencies should make a number of residue assessments in operating areas which are defined in terms of key factors such as topographical features, transportation corridors, economic hauling distances, and landowner attitudes. The Forest Service should take the lead in accomplishing the needed assessments. The Department of Energy should be an active participant in the studies. The assessments must deal more with resource management problems than end-use technology questions.

Recommendations: The Secretaries of Agriculture and Energy should present to Congress within two years a national wood residues plan, including proposed residue use goals and recommendations for legislation or other actions to overcome barriers to such goals. It should be supported by data on regional variations developed through the residue assessments. The Secretaries of Agriculture and Energy should work jointly to implement an accelerated program to develop and demonstrate residue-handling equipment in cooperation with private industry. The Secretaries of Agriculture and Energy should work jointly to develop standardized methods for evaluating the costs and benefits of using wood fuels in Federal facilities, including allowance for forest management benefits, and submit these methods to the Office of Management and Budget within 6 months for dissemination to the executive branch to assure consistency in life-cycle energy evaluation. The Secretaries of Agriculture and Energy should establish a program to promote use of wood fuels among industry, utilities, and State and local bodies through increased participation in demonstration projects and provision of educational materials and direct technical assistance. The Secretaries of Agriculture and Energy should (1) convert all Department facilities to wood fuels for all or part of their heating/power needs where life-cycle evaluations show them to be cost effective; and (2) identify and evaluate additional opportunities to demonstrate wood-energy technologies at Department facilities in order to enhance the prospects for future economic feasibility of such technologies. The Secretary of Agriculture should upgrade the forest survey to provide an inventory of the potentially usable biomass of all trees and woody shrubs, logging residues, and dead trees on the nation's commercial forest lands. The Secretary of Agriculture should request legislation which would authorize the Department to grant private firms either title or an exclusive license in residue-handling equipment and reconstituted wood product technologies developed wholly or partly with Federal funds when needed to stimulate commercialization. The Secretary of Agriculture should (1) increase promotion of new reconstituted wood product technologies developed with Federal funds by allocating necessary resources to effectively disseminate information and provide technical assistance to forest products firms; and (2) adopt a more flexible policy which allows use of long-term contracts to assure that residues from National Forests will be available on a continuous basis when needed to achieve increased residue use in a given area. The Secretary of Agriculture should (1) demonstrate Forest Service ability to conduct tree measurement sales and convert the agency's western region to the tree measurement basis as rapidly as possible; and (2) preserve logging residues for potential future use by foregoing burning whenever possible under sound forest management practices. The Secretary of Defense and the Administrator of General Services should assure, in implementing existing policies for conversion of their heating/power systems from oil and natural gas to alternative fuels, that wood is given equal consideration with coal in forested regions of the country. A canvass of wood conversion opportunities at all such facilities should be made to later be tested by the standard feasibility evaluation methods developed by the Forest Service and DOE. They should also issue procurement guidelines pointing out that, because of their value in meeting national energy goals, residue-based wood products be carefully considered as alternative materials for all construction and related application and related applications. The Administrator of EPA should request legislation to amend the Clean Air Act to allow full recognition of trade-offs in facilities siting decisions. The Administrator should encourage the States to modify their policies where needed to recognize such trade-offs. The Administrator of EPA, to help promote wood residue use in locations where current air pollution regulations preclude such facilities, should develop policies and procedures that (1) recognize emission trade-offs resulting from reduced burning of residues in the woods or in other locations and increased burning at proposed wood energy facilities; and (2) allow such trade-offs to be considered in deciding whether a wood-burning facility may be constructed and what type of pollution control equipment will be required. The Secretaries of Agriculture and Energy should conduct a cooperative program of assessments in at least six locations around the country. The Secretaries should select the areas they believe hold the most promise for increased use of residues based on estimates of residue availability and cost and availability of competing energy sources. Specific information to be developed through assessments should include (1) the cost of making detailed residue inventories in each assessment area, with projections of costs to make such inventories regionally and nationally; (2) the volumes of wood residues that are potentially available in each area and the costs to collect and remove them using conventional equipment; (3) the specific needs for improved equipment to lower collection and removal costs; (4) the benefits and costs of, and alternative Federal roles in stimulating, greater removal and use of wood residues by modifying or initiating a number of possible forest management policies and programs on Federal, State, and private lands and encouraging private investment in new or modified facilities to use wood residues; and (5) the extent of, and alternatives for reducing, additional barriers to residue use caused by utility practices and regulations, air pollution regulations, and other factors.

Agency Comments/Action

The Departments of Agriculture and Energy agreed that the Forest Service should take the lead in wood residues assessments; however, Energy declined to assist in funding the multi-faceted assessments. Agriculture stated the need for appropriations to accomplish the recommended pilot studies. The Department of Defense has still to issue policy directives which would insure the elimination of evaluatory biases against potential uses of wood fuel. The Environmental Protection Agency would not support recommended legislative changes to enhance the economic feasibility of increased wood utilization. The General Services Administration agreed with GAO and has implemented a program to assure that wood gets equal consideration as a fuel in GSA facilities.

Appropriations

General forestry programs - Department of Agriculture, Forest Service

Appropriations Committee Issues

The Committees should assure the availability of funding for demonstration and pilot programs to promote the use of wood in Federal, State, and private facilities.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF AGRICULTURE
DEPARTMENT OF HEALTH AND HUMAN SERVICES
DEPARTMENT OF JUSTICE
DEPARTMENT OF THE TREASURY

Premium Pay for Federal Inspectors at U.S. Ports of Entry
(GGD-74-91, 2-14-75)

Budget Function: Administration of Justice: Federal Law Enforcement Activities (0751)
Legislative Authority: 19 U.S.C. 267. 8 U.S.C. 1353(a). 7 U.S.C. 2260. 42 U.S.C. 267.

The U.S. Customs Service, Department of the Treasury; Immigration and Naturalization Service, Department of Justice; the Animal and Plant Health Inspection Service, Department of Agriculture; and the Public Health Service, Department of Health, Education, and Welfare perform inspectional services at U.S. ports of entry. The premium pay laws and regulations of the four agencies contain different provisions for compensating inspectors. In addition, the amount of premium pay reimbursed to the Government by parties-in-interest (airlines, shipowners, etc.) varies among agencies.

Findings/Conclusions: As a result of the different premium pay laws and regulations, inspectors of different agencies working about the same number of overtime hours are paid for varying numbers of hours. Also, although the Government is reimbursed by parties-in-interest for most of the premium pay for Customs and Agriculture inspectors, the Government is not reimbursed for a large share of such pay for Public Health Service and Immigration inspectors.

Recommendations: Congress should enact one premium pay law to apply to the four agencies' inspection services at ports of entry. Also, Congress should enact legislation (1) establishing a uniform policy on charges to be made to parties-in-interest for inspections at ports of entry and (2) requiring the establishment of specific days and hours at each port of entry during which the full cost, including overhead, of inspections performed by any of the four agencies would be charged to the parties-in-interest.

Agency Comments/Action

All the agencies agreed on the need for uniform legislation but had varying views on how it could best be accomplished.

Appropriations

Department of Agriculture, Animal and Plant Inspection Service.
Preventive health services - Department of Health and Human Services, Center for Disease Control
Salaries and expenses - Department of Justice, Immigration and Naturalization Service
Salaries and expenses - Department of the Treasury, U.S. Customs Service

Appropriations Committee Issues

The Committees should consider whether premium pay for Federal inspectors at U.S. ports of entry is inequitable and whether there is a lack of uniform policy on charges made to parties-in-interest for inspectors at ports of entry. In this connection, a public law enacted on July 12, 1976, the Airport and Airway Development Act Amendments of 1976, affected the charges to parties-in-interest. This law provides that the cost of any required Federal inspection or quarantine service at airports of entry, or other places of inspection as a consequence of operation of aircraft performed during regularly established hours of service on Sundays and holidays, shall not be reimbursed by the owners or operators of such aircraft. Also, the new law prohibits administrative overhead costs associated with inspections at airports from being assessed against the parties-in-interest.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF AGRICULTURE
DEPARTMENT OF HEALTH AND HUMAN SERVICES
DEPARTMENT OF LABOR
OFFICE OF MANAGEMENT AND BUDGET
OFFICE OF PERSONNEL MANAGEMENT

Millions Can Be Saved by Improving the Productivity of State and Local Governments Administering Federal Income Maintenance Assistance Programs
(AFMD-81-51, 6-5-81)

Budget Function: Income Security: Unemployment Insurance (0603)
Legislative Authority: Social Security Act. Intergovernmental Personnel Act of 1970. Federal Grant and Cooperative Agreement Act (P.L. 95-224). Food Stamp Act of 1977. P.L. 96-249.

GAO reviewed three State-administered Federal income maintenance programs whose administrative costs are fully paid or shared by the Federal Government: the Unemployment Insurance (UI), Aid to Families with Dependent Children (AFDC), and Food Stamp programs. The objective of the review was to demonstrate that many opportunities exist for improving productivity in State and local management of Federal income maintenance programs, and that these improvements can reduce costs and improve efficiency and enhance program effectiveness. In addition, changes needed in these Federal assistance programs to promote productivity improvement were identified.

Findings/Conclusions: GAO identified potential savings of millions of dollars associated with the use of inefficient procedures by State and local governments administering these programs. Federal methods for allocating and distributing funds in the income maintenance assistance programs reviewed neither reward nor encourage productivity improvements. Instead, these systems serve primarily as mechanisms for justifying how limited resources are allocated to the States, with little, if any, regard as to how efficiently these resources are used. Neither the Department of Health and Human Services (HHS) nor the Department of Agriculture has implemented approaches to help States determine staff needs or control administrative spending in the AFDC and Food Stamp programs. The Department of Labor has established the Cost Model Management System (CMMS) in an effort to make UI program administration more efficient, control administrative costs, and provide technical assistance to the States. Although conceptually sound, poor management, weak budget controls, and a lack of incentives undermine the system, causing it to fall far short of its goals. Few Federal assistance programs have systems to measure and improve productivity. Moreover, the Federal assistance system generally provides no incentive to States or their employees to improve productivity. The Office of Management and Budget (OMB) and the Office of Personnel Management (OPM) are taking the lead in efforts to better coordinate Federal assistance policies and to improve private sector productivity.

Recommendations: The Secretaries of HHS and Agriculture should use the data generated by those systems to allocate administrative funds to States. The Director of OMB should develop, with the assistance and support of OPM, an interagency program to explore the potential for establishing incentive systems in Federal assistance programs for State and local governments. Participants in this effort should include representatives from State and local governments and appropriate public interest groups. The Director of OPM should place priority on efforts to assist State and local governments develop measurement and incentive programs for individuals and managers to improve their administration of Federal assistance programs. The Director of OPM should work with Federal agencies, overseeing assistance programs that are administered by State and local governments, to improve and monitor those agencies' technical assistance efforts in productivity improvement. The Secretaries of Labor, HHS, and Agriculture should seek authority from the Congress to develop and fund demonstration projects testing approaches for providing States incentives for making productivity improvements in the UI, AFDC, and Food Stamp programs. The Secretaries of Labor, HHS, and Agriculture should report to OMB on successful incentive systems for State and local governments so that effective incentives can be shared and transferred to other assistance programs. The Secretary of Labor should take actions necessary to correct deficiencies in the CMMS and to refine the system as a productivity improvement program. Corrective actions needed include (1) improving control over both the cost model studies and operational and cost improvement projects and (2) using the system in the budget process. The Secretaries of Labor, HHS and Agriculture should work with States, through technical assistance programs, to eliminate inefficient procedures and identify other opportunities for improving the productivity in administering these programs. The Secretaries of HHS and Agriculture should develop and implement systematic approaches to measure, analyze, and improve the productivity of State and local governments administering the AFDC and Food Stamp programs. The Director of OMB should require, where appropriate through the budget process, that Federal agencies develop systematic approaches to help State and local governments improve their productivity in administering Federal assistance programs and that agencies use the data generated by these systems to justify future budget requests.

Agency Comments/Action

The Department of Labor generally agreed with the recommendations and noted its plans to strengthen the CMMS and to work with States to eliminate inefficient administrative procedures. OMB and OPM agreed that productivity improvement is important but stated that the primary responsibility for the productivity actions which GAO describes rest with State and local governments. The Department of Agriculture disagreed with the recommendation concerning productivity improvement but agreed that it should assist States in improving the administration of the Food Stamp Program. HHS has not offered comments.

Appropriations

Unemployment Insurance Program - Department of Labor
Food Stamp Program - Department of Agriculture
Aid to Families With Dependent Children - Department of Health and Human Services

Appropriations Committee Issues

The Federal agencies overseeing the income maintenance assistance programs have not adequately focused on productivity improvement and the need to control administrative costs in the programs. Improving the productivity of State and local governments administering the program can reduce costs, increase efficiency, and enhance the effectiveness of Federal assistance programs.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF AGRICULTURE
DEPARTMENT OF HEALTH AND HUMAN SERVICES
ENVIRONMENTAL PROTECTION AGENCY

Further Federal Action Needed To Detect and Control Environmental Contamination of Food (CED-81-19, 12-31-80)

Budget Function: Agriculture: Agricultural Research and Services (0352)

GAO was requested to investigate the circumstances surrounding an incident involving the contamination of chickens and other food items in several Western States by polychlorinated biphenyls (PCB). Because numerous Federal, State, and local investigators were checking into the situation at the time, it was decided that GAO would monitor the Federal agencies' investigations and report the corrective actions taken or planned to prevent similar incidents.

Findings/Conclusions: In the opinion of GAO, the Food Safety and Quality Service (FSQS) and Food and Drug Administration (FDA) took too long to identify and control the incident. The unnecessary delay was due primarily to the agencies' handling the incident as a routine matter. At least $3.5 million in costs as well as the risk to human health could have been avoided if the contamination had been identified and controlled earlier. FSQS and FDA, with help from the Environmental Protection Agency (EPA), have taken actions to try to prevent similar incidents or to help them deal more effectively with any future occurrences. The three agencies also developed and published proposed regulations that would require removing all equipment containing PCB from food production and feed facilities. The Office of Technology Assessment identified several ways to improve the Federal response to the problem. Among its suggestions was that a lead agency be designated or a Federal assistance center be established to handle responses to contamination problems. The Departments of Agriculture, Health and Human Services, and EPA have taken a number of actions in response to previous GAO recommendations. The actions have resulted in: (1) improvements in the marketing of raw meat and poultry; (2) better regulation of pesticide exports and pesticide residues in imported food; (3) better coordination of pesticide residue testing and of contamination investigations; and (4) better control of hazardous wastes.

Recommendations: The Secretaries of Agriculture and HHS and the Administrator of EPA should, as part of their cooperative program to identify and control harmful substances such as PCB's, clearly define which agency will assume the leadership role under the various circumstances and conditions which are anticipated.

Agency Comments/Action

FSQS, FDA, and EPA generally agreed that the leadership role of the agencies involved in identifying and resolving the problems involving food contamination incidents should be more clearly defined, and they described actions they had taken to improve coordination, including use of the Interagency Regulatory Liaison Group and assumption of the leadership role by one of the agencies in past incidents. FSQS, whose name was since changed to Food Safety and Inspection Service, said that it was working with the other two agencies to design a practical system to handle contamination situations without confusion and without altering their statutory responsibilities.

Appropriations

Salaries and expenses - Department of Agriculture, Food Safety and Inspection Service
Salaries and expenses - Department of Health and Human Services, Food and Drug Administration
Abatement and control - Environmental Protection Agency

Appropriations Committee Issues

In developing criteria for the designation of a lead agency for food contamination incidents, the resources and expertise of organizations such as the Interagency Regulatory Liaison Group and the Federal Emergency Management Agency should be considered and used to the extent feasible. In coordination efforts, however, each agency should retain direct policy control over its operations and the criteria that are developed should be as flexible as possible.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF AGRICULTURE
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FEDERAL TRADE COMMISSION
VETERANS ADMINISTRATION

New-Home Buyers and Federal Agencies Benefit From Improved Warranty Protection (CED-81-40, 5-26-81)

Budget Function: Community and Regional Development: Community Development (0451)
Legislative Authority: Magnuson-Moss Warranty--Federal Trade Commission Improvement Act (15 U.S.C. 2301). Housing and Community Development Act of 1980. S. 612 (97th Cong.).

GAO reviewed the private and State warranty programs that were developed to protect homebuyers from construction defects in new houses. The review was made to assess the growth of these warranty programs and the protection that they provided through federally assisted housing programs. **Findings/Conclusions:** Until recently, new-homebuyers' protection from construction defects was limited to that described in the purchase contract. This has generally been replaced with warranties that define the builder's responsibility to correct construction defects. However, enforcing these warranties is difficult when builders refuse to or cannot make repairs. To help alleviate this problem, the insured warranty concept was developed. These new warranties: (1) protect the homebuyer during the builder warranty period if the builder cannot or will not stand behind the warranty; (2) provide 10-year insurance against certain major stuctural defects; and (3) include an inexpensive and independent process to settle claims. Federal agencies have taken initial steps to use insured warranties in their housing programs. Several benefits are derived from using insured warranties on federally assisted houses, including: (1) furthering the desire to encourage improved home warranty protection; (2) providing homebuyers with improved warranty protection; (3) reducing Federal expenses for correcting structural defects; and (4) reducing Federal construction inspections. **Recommendations:** The Secretaries of the Departments of Housing and Urban Development and Agriculture and the Administrator of Veterans Affairs should revise the builder's warranty and structural defect compensation programs to meet the disclosure requirements of the Magnuson-Moss Warranty Act by clearly describing the defects covered and the procedures used to settle claims. The availability to homebuyers of Federal structural defect compensation programs should also be clearly disclosed.

Agency Comments/Action

The Farmers Home Administration (FmHA) stated that it plans to revise the Builder's Warranty form to include a list of common construction defects. It is also revising the criteria concerning conditions under which it will accept construction inspections under insured warranty programs performed by the warranty structural defect compensation program during interviews with the applicant/borrower. HUD responded that it plans to take steps to ensure that homebuyers are made aware of its structural defect compensation program. It disagreed with the recommendation that the 1-year builder's warranty be revised to comply with the Magnuson-Moss Warranty Act. HUD will attempt to make the warranty easier to understand. The Veterans Administration (VA) stated that it would include a description of the structural defect compensation program in future revisions to two pamphlets available to the homebuying veteran. VA also agreed that the builder warranty could be clearer and is in the process of revising it. VA did not agree with the recommendation that the builder warranty meet the disclosure requirements of the Magnuson-Moss Warranty Act.

Appropriations

Housing programs - Department of Housing and Urban Development
Housing programs - Department of Agriculture
Housing programs - Veterans Administration

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF AGRICULTURE
DEPARTMENT OF LABOR

Food Stamp Work Requirements: Ineffective Paperwork or Effective Tool?
(CED-78-60, 4-24-78)

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604)
Legislative Authority: Food Stamp Act of 1964 (7 U.S.C. 2011 et seq.). Food Stamp Act of 1977 (P.L. 95-1130). Social Security Act (42 U.S.C. 602). Fair Labor Standards Act of 1938 (29 U.S.C. 206(a)). P.L. 91-671 (84 Stat. 2049).

Since 1971, able-bodied adults who receive food stamps and are not exempted by law have been required to register for and accept employment. These requirements were intended to affect the program in two ways: by finding recipients jobs so that they would no longer need assistance and by denying stamps to those who are able but unwilling to work.

Findings/Conclusions: The Food Stamp Program's work registration requirements have not achieved the intended results. A selection of 1,061 cases from applications approved during January 1976 found 620 recipients who were required to register for work. Of the 620, only 3 obtained jobs and only 233 were registered at local employment offices. The remaining 384 recipients were not registered because food stamp offices failed to have them fill out work registration forms, food stamp offices had not sent the completed forms to employment service offices, employment service offices had not distributed the forms to appropriate local offices, and forms had not reached the local employment service offices for various other reasons. Present procedures for evaluating work registration activities are not adequate because they do not provide information on the percentage of recipients who have not registered, or indicate whether the employment offices are receiving work registration forms and using them.

Recommendations: The Secretaries of Agriculture and Labor should require: better information to be gathered on the effectiveness of the food stamp work requirements; closer monitoring of State and local activities implementing these requirements; and stronger action to correct identified problems, including finding out why required procedures are not being followed and what can be done to insure that they are followed.

Appropriations

Food Stamp Program - Department of Agriculture, Food and Nutrition Service
Grants to States for unemployment insurance and employment services - Department of Labor, Employment and Training Administration

Appropriations Committee Issues

Because the work requirements are designed to reduce the need for program benefits, the Committees should inquire into Department efforts to improve their effectiveness.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF AGRICULTURE
DEPARTMENT OF THE INTERIOR

Better Data Needed To Determine the Extent to Which Herbicides Should Be Used on Forest Lands (CED-81-46, 4-17-81)

Budget Function: Natural Resources and Environment: Conservation and Land Management (0302)
Legislative Authority: Environmental Policy Act of 1969(National) (42 U.S.C. 4321). BLM Manual 9222. Forest Service Manual 2476.41. Forest Service Manual 2155.3.

Vegetation management programs and practices on forest lands managed by the Department of Agriculture's Forest Service and the Department of the Interior's Bureau of Land Management were reviewed. The main areas of discussion were the use of herbicides, the controversy over herbicides, the controversy's effect on forest land managers, and the need for both agencies to take actions that would provide better information for making vegetation management decisions.

Findings/Conclusions: The use of herbicides for managing unwanted vegetation on forest lands has become a public controversy. In some cases, their use has been restricted. Growing opposition stemming from unanswered questions about herbicides' health and environmental effects could result in further restrictions. Although it has been shown that nonherbicide methods can be used to control unwanted vegetation in national forests, the extent to which these methods can replace herbicides is not known. Serious information gaps exist relating to the costs of vegetation management methods and their relative effectiveness. Most forests GAO visited had some success with alternatives to herbicides. However, site-specific data were not available to identify why methods had succeeded in one area but not in another.

Recommendations: The Secretaries of Agriculture and the Interior should instruct the Chief of the Forest Service and the Director of BLM, respectively, to gather more comprehensive and complete cost data on their site preparation and release projects. The Secretaries of Agriculture and the Interior should instruct the Chief of the Forest Service and the Director of BLM, respectively, to ensure that (1) those forests and districts relying heavily on herbicides increase the use of nonherbicide methods; and (2) adequate site-specific pretreatment and post-treatment information is gathered and evaluated. The Secretaries should also instruct the agency heads to develop more objective criteria for determining the need for release.

Agency Comments/Action

The Bureau of Land Management proposed actions to increase the use of nonchemical trial projects, develop pre- and post-treatment surveys to include more objective criteria for determining the need for specific vegetation management projects, and restructure its cost accounting system. The Forest Service is revising its procedures manual to address pre- and post-treatment evaluations as well as the need for more objective criteria for establishing vegetation management projects. With regard to the recommendation that those forests and districts relying heavily on herbicides increase the use of nonherbicide methods to ensure that all available vegetation management methods are thoroughly evaluated, the Forest Service said that it would reiterate to field-level line officers its current pesticide-use policy. Although the Service's current policy emphasizes the importance of considering alternatives to herbicides, GAO questions whether reiterating the policy will ensure that all available vegetation management methods are thoroughly evaluated since forest managers continue to make decisions individually based on existing information, which has serious gaps.

Appropriations

Forest management, protection, and utilization - Department of Agriculture, Forest Service
Management of land and resources - Department of the Interior, Bureau of Land Management

Appropriations Committee Issues

The Committees should ensure that the agencies, through trial projects including projects at forests and districts relying heavily on herbicides, thoroughly evaluate all available alternatives for the vegetation management practices of site preparation and release.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF AGRICULTURE
Forest Service
DEPARTMENT OF THE INTERIOR
Bureau of Land Management

Changes in Public Land Management Required To Achieve Congressional Expectations (CED-80-82A, 7-16-80)

Budget Function: Natural Resources and Environment: Conservation and Land Management (0302)
Legislative Authority: Forest and Rangeland Renewable Resources Planning Act of 1974 (16 U.S.C. 1600 et seq.). National Forest Management Act of 1976. Land Policy and Management Act (43 U.S.C. 1701). Wilderness Act. Mining Resources Act. H.R. 6257 (96th Cong.). 16 U.S.C. 559.

Public lands comprising approximately 600 million acres primarily in the Western States and Alaska contain significant quantities of natural resources and values essential to the national economy, growth, and quality of life including: energy and nonenergy minerals; timber; grazing forage for livestock; outdoor recreation; wilderness; fish and wildlife habitat; water and watersheds; scenic beauty; and historic and cultural sites and artifacts. Sharing the responsibility for managing the public lands are the Bureau of Land Management (BLM), which administers about 417 million acres, and the Forest Service, which administers about 187 million acres. Fundamental public land management policies and procedures have been prescribed by three comprehensive statutes wherein a common and challenging goal has been set for BLM and the Forest Service to manage these lands and associated resource values in a manner which best meets the present and future needs of the American people. This requires balancing the three competing and usually conflicting basic objectives: using and developing resources, protecting and conserving resources, and maintaining the quality of the environment. It also requires ensuring appropriate balance and diversity among resource uses. Both agencies are required to plan for and manage their lands according to the multiple-use/sustained yield principle.

Findings/Conclusions: Both agencies are having difficulty achieving the congressional expectations of producing the natural resources the Nation needs, while protecting the environment and conserving sufficient resources for the future. Production goals must account for limitations resulting from wilderness studies, environmental protection laws and programs, and lawsuits and administrative appeals. Because these events are usually unforeseen and are reflected in long-range goals, it is important for agencies to set annual goals reflecting such events as they occur. BLM does not have, nor is it legislatively required to have, long-range programs and quantified production goals for renewable resources. Consequently, it has no realistic basis for determining the production levels necessary to meet its share of the Nation's needs. The Forest Service is required to assess the Nation's public and private renewable resources and to develop a long-range program and goals for its lands. Many existing plans are inadequate because they are based on incomplete or obsolete resource inventory data or do not identify specific actions required to meet production goals while achieving environmental protection objectives. Under both agencies, natural resources have been damaged, stolen, and abused because of insufficient staffing and funding to protect them. Staff funds for both agencies have not kept pace with the number of responsibilities and tasks assigned to them. A continuing budgetary emphasis on certain resource management programs has hampered the balanced use and development of resources.

Recommendations: The Secretary of Agriculture should direct the Forest Service to place greater emphasis on conflicts, interactions, and trade-offs among potential resource uses in future assessment and program updates. The Secretaries of Agriculture and the Interior should direct the Forest Service and BLM to set yearly production goals during the annual program and budget process which reflect changes in production capabilities as they occur. The Secretary of the Interior should direct BLM to adopt a policy for all resources similar to its policy on timber of guaranteeing access to potential developers by obtaining easements and rights-of-way. The Secretaries should direct the Forest Service and BLM to develop staffing and funding needs necessary to regulate users of public lands and maintain facilities and resources, and present the needs to the Departments of Agriculture and the Interior for review and approval. Further, the Secretaries should direct BLM and the Forest Service to carefully monitor and evaluate management improvements which result from new workyear personnel ceilings after they have been in effect for a reasonable period, and aggressively seek higher ceilings from the Office of Management and Budget if, in their judgments, the new ceilings fail to provide BLM and the Forest Service sufficient staff to adequately carry out their assigned land management responsibilities. Congress should, in consultation with BLM, amend the Land Policy and Management Act to require a long-range renewable resource program development process for BLM. Congress should also revise the 1872 Mining Law in accordance with recommendations made in the GAO report of February 27, 1979; consider modifying section 393 of the Land Policy and Management Act to authorize BLM employees to ticket persons violating Federal resource protection laws; and enact legislation which authorizes the Forest Service to sell or, in some instances, give away small, scattered land holdings which are too costly or impractical to administer properly. Further, Congress should review BLM and Forest Service staffing and funding levels and provide for a more realistic balance between the agencies' responsibilities and capabilities by either reducing responsibilities or appropriating more funds.

Agency Comments/Action

The Forest Service is implementing regulations which would require plans for all national forest land. Available data will be used in future assessment and program updates. The Forest Service now has an updated resource planning program with a high and low bound, and budget information will present staffing and funding needs within these high-low bounds. Starting in fiscal year 1982, the Forest Service will monitor a new ceiling control and its effects on land management activities.

Appropriations

General and special funds - Department of the Interior, Bureau of Land Management
General and special funds - Department of Agriculture, Forest Service

Appropriations Committee Issues

The Appropriations Committees should review the Bureau's and Service's staffing and funding levels and provide for a more realistic balance between the agencies' responsibilities and capabilities by either reducing responsibilities or appropriating more funds.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF AGRICULTURE
Forest Service
DEPARTMENT OF THE INTERIOR
National Park Service

Facilities in Many National Parks and Forests Do Not Meet Health and Safety Standards (CED-80-115, 10-10-80)

Budget Function: Natural Resources and Environment: Conservation and Land Management (0302)
Legislative Authority: Safe Drinking Water Act (P.L. 93-523). Safe Drinking Water Amendments 1977 (P.L. 95-190). Water Pollution Control Act Amendments of 1972 (Federal) (P.L. 92-500). Clean Water Act of 1977 (P.L. 95-217).

The Park and Forest Services have not protected the health and safety of their visitors and employees. Substandard water and sewer systems and hazardous lodges, dormitories, bridges, and tunnels need to be repaired, upgraded, or limited in their use.

Findings/Conclusions: Health and safety inspectors found some facilities to be so hazardous that they recommended immediate closure until the facilities could be repaired or upgraded. The costs of bringing facilities up to standard range from $5,000 to $3.2 million. The Park and Forest Services took a broad range of actions once they became aware that a facility did not meet health and safety standards. The actions ranged from immediate closure of facilities to doing little. GAO was told of numerous actions taken to improve deficient facilities, but the improvements were often not sufficient to meet safety and health standards. During fiscal years 1979 through 1981, 50 percent of the construction funds that the Park Service recommended, and 69 percent of the recreation construction funds that the Forest Service requested were for projects other than health and safety. To correct identified health and safety deficiencies, the Park Service will have to spend about $1.6 billion, and the Forest Service needs about $109 million. There would have to be a five-fold increase in appropriations over the construction funds requested for fiscal year 1981. Two alternative funding methods are: charging higher entrance and camping fees at parks and forests, and negotiating with concessioners on a case-by-case basis to make health and safety improvements on facilities they own or manage.

Recommendations: Congress should require that the Secretaries of Agriculture and the Interior periodically report on the condition of the facilities until they are improved to meet all health and safety standards. Congress should repeal section 402 of Public Law 96-87 (93 stat. 666) to permit the Park Service to increase entrance fees and direct that the Park and Forest Services use funds resulting from increased entrance and camping fees for health and safety projects in the parks and forests where they are collected. The Congress should give priority to funding projects for repairing and upgrading facilities with the most serious health and safety hazards at parks and forests. The Secretaries of Agriculture and the Interior should request a greater share of their construction funds for repairing and upgrading facilities to bring them up to health and safety standards. The Secretaries of Agriculture and the Interior should request a special appropriation from Congress to correct the most serious health and safety hazards. The Secretaries of Agriculture and the Interior should negotiate with concessioners to have them make corrections to facilities they own or operate to bring them up to applicable health and safety standards. The Secretaries of Agriculture and the Interior should take immediate action to correct health and safety problems with available funds or restrict the use of facilities that do not meet health and safety standards.

Agency Comments/Action

The President proposed a 6-year moratorium on land acquisitions and the transfer of $105 million annually for park rehabilitation, repairs, and renovation. The Park Service said that it has known of this problem for some time and recognized that both long- and short-term solutions will be required to correct the problems. The Senate Committee on Appropriations added $16.5 million to the Park Service's appropriation in fiscal year 1981 specifically earmarked for inventories, inspections, assessments, designs, and corrective actions.

Appropriations

Conservation and land management - Department of the Interior, National Park Service,
Conservation and land management - Department of Agriculture, Forest Service

Appropriations Committee Issues

The Committees should monitor health and safety conditions in National parks and forests.

DEPARTMENT OF AGRICULTURE
DEPARTMENT OF TRANSPORTATION

Federal Role in Developing Grain Subterminals Should Be Coordinated by USDA (CED-81-101, 5-14-81)

Budget Function: Agriculture: Import-Export Issues (0353)
Legislative Authority: Agricultural Subterminal Facilities of 1980 (P.L. 96-358).

In response to a congressional request, GAO reviewed selected activities on the development of subterminal grain storage facilities. The review was concentrated in States with significant grain production, available information, and the potential for subterminal development and improvement. The GAO objective was to gain an understanding of subterminal development benefits, obstacles, and potential.

Findings/Conclusions: Farmers have benefited from subterminals in two ways: they receive higher prices for their grain, and they are able to sell more grain when prices rise. Elevators that have become subterminals as a result of the construction of new, larger facilities or the upgrading of existing ones have benefited by significantly increasing their grain volume. The larger volumes reduce handling costs by spreading fixed costs over larger grain volumes. Subterminals generally have lower variable costs than older grain elevators and pay less for transportation due to lower multiple-car and unit-train rates. Railroads have benefited from subterminals by becoming more price competitive with barges and trucks through the cost efficiencies of multiple-car and unit-train shipments, thus, softening the decline in the railroads' market share of grain shipment. In addition, the faster turnaround times of multiple-car and unit-train shipments have enabled railroads to haul more grain with the existing fleet of rail cars. The potential exists for further development of subterminals since their operations are more adaptable to high-yield-per-acre crops. They may also be feasible for lower yielding crops-per-acre in certain circumstances. Problems involving subterminals which adversely affect their operations and future development include: failure of some railroads to offer multiple-car and unit-train rates, overdevelopment, and port congestion. Recently enacted legislation authorizes planning grants for developing State and regional subterminal facilities plans and insured construction loans.

Recommendations: The Secretary of Agriculture should establish in USDA a focal point to oversee Federal subterminal planning and construction activities. Potential borrowers/grantees can then contact such a focal for obtaining USDA subterminal planning, construction, and improvement funds as well as learn the sources of all other Federal programs that can provide funding for subterminal development. This focal point should be publicized by contacting State departments of transportation and agriculture officials and researchers, State grain and feed dealers associations, and other agricultural associations.

Agency Comments/Action

USDA concurred with the recommendation but plans no action until funds are appropriated for the Agriculture Subterminal Facilities Act.

Appropriations

Import export issues - Department of Agriculture
Import export issues - Department of Transportation

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF COMMERCE
DEPARTMENT OF DEFENSE

Potential Impediment of Foundry Capacity Relative to National Defense Needs (EMD-81-134, 9-15-81)

Budget Function: National Defense: Department of Defense - Procurement & Contracts (0058)

GAO expressed concern that the potential impediment of foundry capacity relative to national defense needs is a possible problem heightened by contemplated increases in defense expenditures. Since 1957, about 1400 small foundries have closed. Apparently, this trend has not had a significant impact on total foundry capacity; however, recent closures of large automotive foundries could have different, adverse repercussions. These closures have reduced domestic casting capacity by over 1 million tons in 1980. This tonnage loss is equal to about 5 percent of foundry shipping capacity of all metals.

Findings/Conclusions: In the past, some of these closed foundries have been used for defense production purposes, and if similar foundry closures continue, GAO believes that the Nation's production capacity for defense or emergency mobilization may be impaired. Serious data deficiencies prevent an in-depth analysis at this time. Because Federal data were found to be very poor, overly aggregated, and either wrong or missing, GAO developed a data base using a combination of Federal and private industry data. Initial findings show that a potential problem exists in foundry production capacity and the related effect on defense industrial capacity. Although the Department of Defense has industrial preparedness programs, the foundries sector has not been given adequate attention. Thus, no one is in a position to judge whether foundry closure trends would be an impediment to increased defense spending objectives or emergency mobilization requirements which would require industrial surge capacity.

Recommendations: The Departments of Defense and Commerce should promptly initiate a joint study to identify further data requirements, then determine whether there is an imminent foundry capacity problem relative to increased defense spending, to surge, or to emergency mobilization needs. The Departments of Defense and Commerce should also keep the following concerned congressional committees advised of study plans and the expected availability of study findings: the Senate Select Committee on Small Business; the House and Senate Committees on Armed Services; the House Committee on Appropriations, Subcommittee on Defense; and the House Committee on Banking, Finance, and Urban Affairs, Subcommittee on Economic Stabilization.

Agency Comments/Action

No response from the agencies has been received on any plans for implementing GAO recommendations.

Appropriations

Defense preparedness - Department of Commerce, Office of Basic Industries
Defense preparedness - Department of Defense, Office of Industrial Preparedness

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF COMMERCE
DEPARTMENT OF ENERGY
DEPARTMENT OF HEALTH AND HUMAN SERVICES
VETERANS ADMINISTRATION

Civil Agencies Can Improve the Performance of Technical Evaluations (PSAD-81-9, 11-10-80)

Budget Function: Procurement--Other Than Defense (1007)

A review was made of the technical evaluations of 18 noncompetitive contract proposals. The objective of the review was to determine if technical evaluations were adequately performed and reported to the contracting officers for use in negotiating the noncompetitive contract prices.

Findings/Conclusions: GAO found that, contrary to Federal Procurement Regulations (FPR), technical evaluations were not performed for 7 proposals and were not adequately performed for 10 proposals. Of the 10 inadequate evaluations, 5 did not address critical components, such as labor hours, type of labor, and quantity of material, and 5 relied on insufficient data. Generally, the technical evaluators tended to concentrate solely on whether contractors could meet the contract requirements and did not assess whether the number of hours, type of labor, or quantity of materials proposed were reasonable and properly supported. Agencies' officials gave various reasons for not performing technical evaluations, such as inadequate cost or pricing data and confusion on technical evaluations performance responsibility. GAO did not consider the reasons valid since FPR require the contracting officer to obtain and evaluate cost and pricing data used to support noncompetitive price proposals. Notwithstanding the reasons, the contracts, the value of which totals about $12.4 million, were negotiated without the benefit of technical evaluations needed to assure that the proposed prices were fair and reasonable.

Recommendations: The Secretaries of Health and Human Services, Commerce, and Energy, and the Administrator of Veterans Affairs should periodically determine compliance with the requirement to perform technical evaluations and evaluate the adequacy of those evaluations.

Agency Comments/Action

The agencies have taken or are taking action to assure that contracting offices perform adequate technical evaluations.

Appropriations

Procurement - Department of Health and Human Services
Procurement - Department of Commerce
Procurement - Department of Energy
Procurement - Veterans Administration

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF COMMERCE
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Long-Term Economic Planning Needed in Oil- and Gas-Producing States
(PAD-81-09, 12-10-80)

Budget Function: Community and Regional Development: Area and Regional Development (0452)
Legislative Authority: Powerplant and Industrial Fuel Use Act of 1978 (P.L. 95-620). Housing Act of 1954 (40 U.S.C. 461; 68 Stat. 640). Public Works and Economic Development Act of 1965. Fuel Protection Act of 1979 (Louisiana).

The fiscal and economic condition of the Southwestern States (Texas, Oklahoma, and Louisiana) has long been inextricably linked to oil and gas activities. However, the region's oil and gas reserves and production have been declining since the early 1970's, and prospects for this trend to reverse are not good. Yet continued heavy reliance on decreasing resources has caused little concern for diversification planning, perhaps largely because rising energy prices are stimulating the region's economy and generating increased public sector revenues. Although the region currently is fiscally and economically healthy, troublesome trends indicate that long-range planning is needed.

Findings/Conclusions: Historically, direct mineral revenues have been a large part of the Southwestern States' budgets. In 1977, at least 1 of every 13 regional employees worked in petroleum and related industries, and 12 percent of the region's total payroll dollars was paid by these industries. Generally, the region's petroleum and related industries are heavily concentrated within certain cities and counties. Areas having a heavy concentration of petroleum and related industries become vulnerable as nonrenewable oil and gas resources are depleted. The region's vulnerability can be decreased through diversification. However, the incentive to diversify is hampered by the high profits, wages, and taxes currently provided by these industries. The likely crude oil outlook for the three States is a continuation of the current trend of decreasing production. A turnaround is more possible for natural gas production than for oil, but unlikely. However, the States do not have specific economic development policies to encourage diversification which would counterbalance their dependence on the oil and gas industry. Finally, the Federal agencies which have planning assistance programs are not addressing possible long-range fiscal and economic problems in the Southwest stemming from the region's heavy reliance on the two industries.

Recommendations: Congress should consider the following oversight options to assure that the Southwest's oil and gas issue is addressed: (1) through the annual authorizations and appropriations processes, Congress can monitor the Federal agencies' progress in meeting the recommendations; and (2) to facilitate oversight, as well as to promote greater efficiency and effectiveness of planning and development efforts, the Congress could require the applicable Federal agencies to follow a common regional strategy or action plan. The Secretary of Commerce should insure that Economic Development Administration's (EDA) efforts be coordinated with those of the Ozarks Regional Commission. The Secretary of Housing and Urban Development (HUD) should direct HUD area offices to be cognizant and supportive of the other Federal agencies' issue-oriented efforts. The Secretary of HUD should direct the Assistant Secretary for Community Planning and Development to direct area offices in Texas, Oklahoma, and Louisiana to consider the issue, in reviewing 701 applications and overall program designs of the ability of the 701 program to address regional concerns. The Secretary of Commerce should have EDA use its programmatic elements to help assure that applicable Federal, State, and substate planning processes include a focus on the Southwest's oil and gas issue.

Appropriations

Economic Development Administration - Department of Commerce
Area offices and Assistant Secretary for Community Planning - Department of Housing and Urban Development

Appropriations Committee Issues

The Committees should monitor the agencies' progress in meeting the recommendations.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF COMMERCE
DEPARTMENT OF JUSTICE
DEPARTMENT OF STATE

U.S. Laws and Regulations Applicable to Imports From Nonmarket Economies Could Be Improved (ID-81-35, 9-3-81)

Budget Function: International Affairs: Conduct of Foreign Affairs (0152)
Legislative Authority: Trade Act of 1974. Tariff Act of 1930 (19 U.S.C. 1677b(c)). Trade Agreements Act of 1979 (19 U.S.C. 1671 et seq.). Trade Expansion Act of 1962. General Agreement on Tariffs and Trade, October 30, 1947, 61 Stat. A3, T.I.A.S. No. 1700. 19 U.S.C. 1303. 19 U.S.C. 1337. 19 U.S.C. 2251. 19 U.S.C. 2411. 19 U.S.C. 2435. 19 U.S.C. 2436. 19 U.S.C. 2440.

Laws and regulations designed to protect U.S. industry from unfair or disruptive imports are difficult to apply to products from nonmarket, principally Communist, countries. GAO conducted a review to identify needed improvements in these laws in order to make them more effective and easier to administer.

Findings/Conclusions: The antidumping law stipulates that, when an economy is State-controlled to an extent that a producer's prices or costs cannot be used to determine whether dumping has occurred, a comparison price for its product is to be simulated. The simulation process leads to difficulties in selecting surrogate market producers and verifying data. The antidumping law as applied to nonmarket economies is difficult to administer, highly unpredictable in outcome, and costly for the parties involved. Relief has nevertheless been obtained under the law. The antidumping law also provides methods to suspend dumping investigations before they are completed by settlement agreements. Because of the ways in which dumping is calculated in nonmarket economy cases, it is doubtful whether some of these suspension methods could be used. The countervailing duty law of the United States provides for assessing duties to offset certain foreign subsidies on products exported to the United States. To date, the complexity of identifying and quantifying subsidies on goods from nonmarket economy countries has discouraged U.S. industries from requesting investigations of such subsidy practices. A new method of estimating subsidies makes it much easier to impose countervailing duties on nonmarket goods. The Trade Act provisions which provide additional protection from disruption caused by imports from Communist countries has been used infrequently and no relief has been granted under it. Some Government and private sector interests believe that the provisions inhibit increased trade with Communist countries.

Recommendations: Congress should amend the Tariff Act of 1930 to make available in any dumping proceeding both: (1) the weighted average U.S. price of the lowest price market producer, including U.S. producers, selling in the United States; and (2) the constructed value of the nonmarket economy producer's product based on valuing its actual factors of production at appropriate market economy prices. Congress should amend the Tariff Act of 1930 to include additional provisions for settling nonmarket economy dumping cases. To improve the process of deciding when to use simulation methods, the Secretary of Commerce should direct the Deputy Assistant Secretary for Import Administration to develop and publish criteria in the Code of Federal Regulations for determining whether a respondent's actual prices or costs can be used. The Secretary of Commerce should direct the Deputy Assistant Secretary to amend Department of Commerce regulations to more accurately reflect the criteria for selecting surrogate countries and producers and to publish the reasons for selecting surrogate producers in individual dumping cases. The U. S. Trade Representative should develop, for Presidential approval and publication, criteria for accepting petitions for consultations under section 406 of the Trade Act of 1974.

Agency Comments/Action

The Department of Commerce agreed with the GAO recommendations that criteria be developed and published on the use of actual nonmarket economy prices or costs in dumping investigations and that Commerce regulations be amended to reflect more accurately the selection of surrogate producers in such dumping cases. The Department of Justice was supportive of the GAO proposals for amending the suspension of dumping investigation procedures contained in the Tariff Act of 1930, as amended. The Office of the U.S. Trade Representative (OUSTR) disagreed with the GAO recommendation that criteria be developed for the acceptance of petitions for consultations as authorized by section 406 of the Trade Act of 1974; OUSTR argued that such a formal process would be both unnecessary and administratively cumbersome.

Appropriations

Import administration - Department of Commerce

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF COMMERCE
DEPARTMENT OF LABOR

Government Measures of Private-Sector Productivity: Users Recommend Changes (FGMSD-80-45, 7-8-80)

Budget Function: General Government: Other General Government (0806)
Legislative Authority: National Productivity and Quality of Working Life Act of 1975. P.L. 38-426. P.L. 71-537.

The Bureau of Labor Statistics (BLS) publishes a wide range of measures of the private sector's productivity. These measures are used primarily for economic analysis and forecasting directed toward improving the economy. GAO studied the measures to determine, from a user's viewpoint, how they might be improved. Additionally, the National Academy of Sciences examined the Government's productivity measures. The Academy convened 14 economists and other experts to study possible technical and conceptual improvements to the measures, whereas GAO concentrated on the general needs of users.

Findings/Conclusions: GAO found that improvement in national productivity is needed to aid the fight against inflation, but improvement must start at the lowest level of the economy, the firm. One way the Federal Government could help improve national productivity would be to encourage firms to measure their own productivity and compare themselves to firms in similar industries. The current BLS industry measures are based on industry aggregates which are too general to be used by firms in improving productivity. Although a program to develop firm and interfirm productivity measures could require BLS to work directly with a large number of firms, BLS is not structured for such an undertaking. The Department of Commerce has initiated some firm-level productivity improvement programs in the past few years, which could be the foundation for a significant new national productivity improvement program. But, the cost-effectiveness of improvements to productivity measures is nearly impossible to determine. The net contributions of productivity measures to economic analysis is uncertain as the measures are generally used in conjunction with other economic information. Therefore, the cost-effectiveness of any single improvement to the measures is doubly difficult to determine. Also, GAO found that only labor measures are published because labor input is the only statistic considered accurate enough for productivity. Historically, labor productivity has been used in economic analyses and forecasts as a substitute for multifactor productivity. However, the use of a substitute is not always exact enough.

Recommendations: The Secretary of Labor should direct BLS to: (1) use the improvement priorities expressed by users in the GAO study as one criterion for attaching priorities to the recommendations of the National Academy of Sciences' Panel to Review Productivity Statistics; (2) develop a plan for producing multifactor productivity measures for the major sectors of the economy, establish a feasible target date for publishing these measures, determine the associated resources required, and seek authority to carry out the plan; (3) publish additional public information on the interpretation and use of productivity measures; and (4) confer with the Department of Commerce to determine what technical expertise the Department of Commerce needs to develop a firm-level productivity improvement program, and at what costs. Also, the Secretary of Commerce should: (1) determine the costs and other resources needed to establish a firm-level productivity improvement program which would have measurement as an important component; and (2) if the program appears feasible, seek authority to implement it. Further, the Department of Commerce should confer with BLS to explore various approaches to such a program.

Agency Comments/Action

The Department of Labor concurred with the recommendations and is using the user-suggested measures as part of the criteria for their improvement activities. The Department has prepared a plan for examining the feasibility, scope, and costs for developing multifactor productivity measures, and plans to publish more information on the meaning and measurement of productivity. With regard to multifactor productivity measures, BLS plans to publish its newly developed measures in FY 1982. The Department of Commerce agreed with the need for more and better productivity data for detailed industries and firms. However, it feels that the recommendation to foster and promote an interfirm measurement program in the private sector is too low of a priority at this time, particularly with the limited resources currently available. Commerce also expressed reservations concerning the Government's ability to deal with confidentiality problems associated with handling firms' operating data.

Appropriations

Economic and statistical analysis - Department of Commerce
Productivity and technology - Department of Labor, Bureau of Labor Statistics

Appropriations Committee Issues

In light of the long-term decline in private sector productivity, the Committees should encourage the Department of Commerce to reassess the low priority given to productivity measurement and improvement by individual firms. Many other countries have embarked on interfirm measurement programs as one source of productivity improvement. One particular approach that could be explored is the promotion, encouragement, and technical advice to such programs when they are established by trade associations and similar groups.

DEPARTMENT OF COMMERCE
DEPARTMENT OF LABOR
EXECUTIVE OFFICE OF THE PRESIDENT
NATIONAL PRODUCTIVITY COUNCIL
OFFICE OF MANAGEMENT AND BUDGET

Stronger Federal Effort Needed To Foster Private Sector Productivity
(AFMD-81-29, 2-18-81)

Budget Function: General Government: Executive Direction and Management (0802)
Legislative Authority: Executive Order 12089. S. 2417 (96th Cong.).

U.S. productivity growth has declined dramatically over the past 12 years. In the past 3 years, it has virtually ceased. Recognizing the importance of productivity, the President established the National Productivity Council and assigned private sector productivity responsibilities to the Departments of Labor and Commerce. The Council was to guide and coordinate these and other Federal efforts to improve productivity and to serve as the Government's primary contact with the private sector on productivity issues. GAO examined the effectiveness of the Council regarding private sector productivity.

Findings/Conclusions: GAO found that, in over 2 years of existence, the National Productivity Council has been relatively inactive and has largely ignored the functions assigned to it. It has seldom met, has not provided guidance to Federal productivity programs, and has not become recognized as the Government's productivity focal point. The Department of Labor did not act on its leadership responsibilities. The Department of Commerce undertook significant productivity initiatives despite the Council's lack of involvement. The national productivity effort has been ineffective because it lacked support from the executive branch. As a result: (1) Federal programs directly related to productivity improvement are funded and operated without any central review, direction, coordination, or evaluation; (2) there is no recognized spokesperson for productivity concerns; and (3) there is no open channel for airing private sector problems and concerns about productivity related policies. An organization should be established to: (1) provide central review and coordination of Federal programs directed at productivity improvement; (2) provide a productivity perspective in economic and budgetary decisionmaking; (3) provide an open and nonthreatening channel for private sector problems and concerns about productivity-related policies; and (4) develop a national productivity plan outlining what the Federal Government is doing and should be doing to increase productivity.

Recommendations: Congress should enact legislation to establish a National Productivity Council with a full-time, presidentially appointed chairperson and with its own budget authorization. The main functon of the Council would be to prepare, with the involvement of private sector representatives, a national productivity plan. The substance of such an organization is included in S. 2417, a bill introduced in the 96th Congress that incorporates previous GAO recommendations.

Agency Comments/Action

Agency comments were not requested and recommendations were directed to Congress. Legislation based on GAO recommendations was introduced in the Senate (S. 489) and the House (H.R. 2412).

Appropriations

National Productivity Council
Executive Office of the President
Office of Management and Budget

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF COMMERCE
DEPARTMENT OF THE INTERIOR
ENVIRONMENTAL PROTECTION AGENCY

Industrial Wastes: An Unexplored Source of Valuable Minerals (EMD-80-45, 5-15-80)

Budget Function: Natural Resources and Environment (0300)
Legislative Authority: Resource Conservation and Recovery Act of 1976.

Industrial wastes often contain valuable metals and are often disposed of in ways that preclude the future recovery of mineral values. While Congress passed the Resource Conservation and Recovery Act of 1976 to improve the recovery of usable materials from waste, the executive branch has done little to enhance mineral recovery, especially from industrial wastes. GAO reviewed this situation to determine: (1) the extent to which mineral values are recovered from industrial wastestreams; (2) the potential for greater recovery; (3) impediments to further recovery; and (4) actions to be taken by the Federal Government to accelerate and increase mineral recovery.

Findings/Conclusions: Identification, evaluation, and promotion of resource recovery programs for all types of waste are required by the Act. However, little has taken place for industrial wastes for the following reasons: the Environmental Protection Agency (EPA) has received limited funding under the Act, and the appropriated funds have been largely directed toward hazardous waste regulation; information is lacking on the nature, location, and recoverable contents of industrial wastestreams; the Department of Commerce, which has critical responsibilities under the Act, has been unable to obtain funding; the interagency Resource Conservation Committee, established by the Act to evaluate resource recovery strategies, was not efffective; and agencies involved have conducted little research on recovering minerals from industrial wastes. Recently, EPA has initiated plans for a new interagency committee to coordinate resource recovery objectives. Because EPA is primarily a regulatory agency with its experience lying in environmental protection, GAO believed that EPA should remain the lead agency for resource recovery. However, GAO attributed the lack of progress toward the resource recovery objectives to assigning EPA responsibilities that could be more appropriately pursued elsewhere.

Recommendations: The Administrator of EPA should continue to pursue the establishment of the new interagency committee to coordinate executive branch actions toward legislated resource recovery objectives. EPA should increase its information collection activities, and encourage the collection and coordination of information by other member agencies to (1) obtain data on resource recovery opportunities, and (2) identify problem areas on which the Bureau of Mines should concentrate its research and development efforts. The Administrator also should see that the new interagency resource recovery committee include representatives from the Department of the Interior's Bureau of Mines, so that resource recovery can be effectively coordinated. Other agencies, such as the Department of the Treasury also should participate, while relevant issues, such as tax policy, are being considered. In addition, the Department of Commerce should be given the responsibility for analyzing potential new resource recovery activities, and suggesting actions to the committee for recommendation to Congress when appropriate. These analyses should identify those industrial sectors where the benefits of additional recovery could most effectively offset environmental compliance costs. The Secretary of Commerce should work with the Department of Justice to develop guidelines to industry for the establishment of joint resource recovery ventures that will be compatible with the Department of Justice's antitrust concerns. The Secretary of the Interior should explore ways to enhance its industrial waste recovery research. Specifically, the Bureau of Mines should work closely with the Department of Commerce and EPA to support resource recovery activities and to seek assistance in the identification of recovery opportunities for technical research. The Bureau of Mines also needs to do more to assure the potential application of specific projects by demonstrating to industry, through pilot plants or other means, the economic worth of developed technologies.

Agency Comments/Action

EPA is conducting a comprehensive industry studies program which will include an examination of present industry resource recovery activities and assess recovery levels without Government intervention. EPA is also promoting the inclusion of industrial waste as a qualifying material for a tax credit under the Energy Tax Act. EPA believed the report's recommendations had to be considered in light of the above actions, budget limitations, and priority work on hazardous wastes. The Interior said that the GAO recommendations were inappropriate because of their ongoing concern for industrial waste research. Commerce and Justice have issued guidelines for broader joint research projects.

Appropriations

Solid waste management - Environmental Protection Agency

Appropriations Committee Issues

Funding for resource recovery is even more constrained now than at the time of the GAO report. Congress will have to determine if increased Federal spending for resource recovery is presently appropriate. Without such funding, EPA, the Department of Commerce, and the Bureau of Mines will not be able to markedly enhance resource recovery.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF COMMERCE
National Oceanic and Atmospheric Administration
DEPARTMENT OF THE INTERIOR
Fish and Wildlife Service
MARINE MAMMAL COMMISSION

Congressional Guidance and Better Federal Coordination Would Improve Marine Mammal Management (CED-81-52, 5-11-81)

Budget Function: Natural Resources and Environment: Other Natural Resources (0306)
Legislative Authority: Marine Mammal Protection Act of 1972 (16 U.S.C. 1361 et seq.). Endangered Species Act of 1973 (16 U.S.C. 1513 et seq.). Endangered Species Conservation Act of 1969. Fishery Conservation and Management Act of 1976.

GAO was requested to review the activities and effectiveness of the Marine Mammal Commission (MMC) and the Departments of Commerce and the Interior in fulfilling the Marine Mammal Protection Act's (MMPA) requirements.

Findings/Conclusions: Under MMPA, many Federal and State actions have been initiated to help ensure the protection, and, in some cases, recovery of marine mammals. However, progress has been slow and improvements are needed to satisfactorily fulfill the MMPA objectives and goals. The review of selected species disclosed a need for amendments to MMPA to facilitate marine mammal management and for improvements in the administration of the marine mammal program by the regulatory agencies. Hunting by Natives is not controlled unless the species is depleted; however, such hunting is for subsistence and handicraft purposes only and is not be done in a wasteful manner. Because fishery resources and marine mammals programs interact, conflicts occur in the administration of the Fishery Conservation and Management Act (FMCA) and MMPA. GAO found that fishery and marine mammal managers differ in their interpretations of the two Acts' basic goals. Because jurisdiction to administer MMPA is divided, the Interior and Commerce are performing similar, if not duplicative, functions. GAO found that the regulatory agencies have not provided priority attention to fulfilling the provisions of MMPA. It is apparent that there are significant differences of opinion as to the type of action that needs to be taken.

Recommendations: Congress should amend both the FCMA and MMPA to clarify the extent to which the interests of each law must be considered in fulfilling the objectives of the other. Congress should, in connection with the need to establish an appropriate marine mammal enforcement program, amend the MMPA to clarify such terms as subsistence, native handicraft, and wasteful, which are used with limiting or establishing quotas on the harvesting of marine animals by Natives. Congress should amend MMPA to allow the Secretaries of Commerce and the Interior, according to the species being managed, to exercise managerial controls over the Native subsistence harvesting of the species, for example, the walrus, when it appears such steps will help prevent the species' depletion or assist in protecting the marine environment. The Secretary of the Interior should insure that the proposed reorganization for marine mammal management provide a sufficiently high level of specific management emphasis to marine mammals and, to the extent possible, eliminate divided responsibilities between the various Fish and Wildlife Service offices. The Secretary of Commerce should direct the Administrator of the National Oceanic and Atmospheric Administration to give priority attention, with appropriate direction and level of commitment and funding, to resolving those issues and carrying out those functions, such as establishing recovery teams and developing recovery plans, which facilitate timely development of suitable management programs to encourage and accomplish species recovery. The Secretaries of Commerce and the Interior should establish interagency working arrangements to expedite the waiver review process when States request a waiver and return of management. In addition, the two agencies should coordinate their enforcement programs and other related activities to reduce costs and minimize delays that may occur as a result of the split Federal jurisdiction inherent in the Federal Government's management of marine mammals. The Secretary of the Interior should require the Director of the Fish and Wildlife Service to work more closely with MMC, the State, and others to resolve the biological and social problems relating to issues, such as optimum sustainable population, the multiple use of coastal resources, and the development of translocation criteria to establish new or separate locations for the sea otter. The Secretaries of Commerce and the Interior should, in cooperation with State authorities requesting a waiver of the moratorium and a return of management to the States, establish as a high priority procedures to ensure that the process required to make such determinations is accomplished in an expeditious and responsive manner. Problems that arise with the process should be promptly discussed with appropriate State officials, MMC, and other interested parties: to ensure that the time, effort, and related costs are kept to a minimum; and, more importantly, to help establish an effective marine mammal protection program as MMPA envisioned.

Agency Comments/Action

The Department of the Interior agreed that the marine mammal correspondence and issues should be dealt with at a single point within the Fish and Wildlife Service (FWS) and said that measures have been taken to clarify responsibilities and improve coordination and communication among the FWS offices dealing with marine mammals. Interior believes that it already has a satisfactory working relationship with the Department of Commerce, States, and other concerned parties to resolve marine mammal issues and problems affecting mammal recovery plans and to coordinate law enforcement and protection efforts. Interior also believes that, based on past experience, it will be able to react more timely and responsively to States that request a waiver of moratorium on the taking of marine mammals and a return of management to the States; however, it did not cite any specific actions to expedite the process. The 60-day response on actions that Commerce has taken had not been received as of September 18, 1981.

Appropriations

Natural resources and environment - Department of Commerce, National Oceanic and Atmospheric Administration
Natural resources and environment - Department of the Interior, Fish and Wildlife Service
Natural resources and environment - Marine Mammmal Commission

Appropriations Committee Issues

Congress should amend both FCMA and MMPA to clarify the extent to which the interests of each law must be considered in fulfilling the objectives of the other; amend MMPA to clarify such terms as subsistence, Native handicraft, and wasteful, which are used with limiting or establishing quotas on the harvesting of marine animals by Natives; and amend MMPA to allow the Secretaries of Commerce and the Interior, according to the species being managed, to exercise managerial controls over the Native subsistence harvesting of the species, for example, the walrus, when it appears that such steps will help prevent the species' depletion or assist in protecting the marine environment. The Committees should determine what specific actions Interior is taking to implement the GAO recommendations.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF COMMERCE
DEPARTMENT OF TRANSPORTATION

New Strategy Required For Aiding Distressed Steel Industry
(EMD-81-29, 1-8-81)

Budget Function: Natural Resources and Environment: Other Natural Resources (0306)

GAO reviewed the problems facing the domestic steel industry and outlined the factors that should be considered in developing a program to revitalize the industry as a part of its ongoing efforts to improve the Nation's capabilities to meet the materials requirements of the national economy. The comprehensive steel policy components addressed by GAO include: (1) wage and compensation restraint and labor-management commitment to a sound revitalization strategy; (2) measures to induce the entry and growth of new competitors; (3) accelerating depreciation rates; (4) improving administration of environmental regulation; (5) eliminating discriminatory price restraints; and (6) creating a trade policy yielding predictable and acceptable effects on imports with a minimum of inflation.

Findings/Conclusions: There is an international surplus of steelmaking capacity. However, if there is an upturn in the global economy, competition for foreign production is certain to increase significantly and there may not be enough steel to supply all customers. A large segment of the U.S. steel industry has become unable to compete with efficient foreign producers due to high labor costs, inefficiently sized plants, low utilization capacity, and restrictive Government policies. Transportation costs give U.S. steel an edge in some domestic markets. Unfair pricing of steel products in the United States by foreign producers has been alleged to harm U.S. competition in the steel market. If American steel producers are to regain lost domestic consumers, they will need newer and more productive facilities and a more customer-oriented approach to their marketing. Many nations provide their steel industries with preferential financing, loan guarantees, and trade inducements. An effective policy toward steel ought to represent the Nation's overall objective for the domestic industry's performance and include means for stimulation of competition, assistance in capital formation, and administration of environmental regulations. In establishing a performance goal, factors to be considered are: the point beyond which national security will be compromised if capacity drops; a target market-share for domestic firms; a target ratio of capacity to peak domestic needs; and the extent to which the industry's modernization and expansion needs can be met without depending on Government assistance.

Recommendations: Congress should enact legislation to define a performance objective for the domestic steel industry. This objective, defined in terms of industry-wide, efficient capacity goals and a timeframe for their realization, should serve as a benchmark against which the realism of industry revitalization activity and related Government policy can be assessed. Such legislation may have to be subsequently amended in light of periodic reevaluation of mandated capacity assessment studies. The objective should also be sufficiently stable to give confidence to investors and policy administrators. Congress should consider the kind of labor and management commitments to industry revitalization which presently exist or which may be needed. Meaningful labor and management commitments could include: (a) continuing labor's helpful attitude towards adopting efficient new technology; (b) restraining wage, salary, and dividend levels and devising innovative methods as needed to redress compensation premium problems; and (c) new initiatives to minimize adverse job dislocation effects arising from plant closings, the adoption of new technology, or business cycle fluctuations. Congress should, as part of its consideration of a performance objective for the domestic steel industry, review the Administration's latest steel program. Such a review should relate alternative performance objectives to specific program proposals such as: (1) assistance on near-term 5-year capital formation and investment needs; (2) the adequacy of proposed import controls to jointly satisfy the earnings-investment needs of producers, the inflation protection needs of domestic consumers, and trade access opportunities for low-cost foreign suppliers; and (3) proposed amendments to environmental laws to insure that they reflect both a commitment to reasonable administrative flexibility and industry achievement of environmental protection standards. Congress should enact legislation requiring the Executive Office of the President or other appropriate Executive Branch agencies to undertake a bi-annual assessment of steel capacity conditions. The assessment should cover both domestic and foreign suppliers and the plausible range of supply-demand conditions which might be encountered over the coming 5 to 10 years. These recurring assessments ought to provide the basis for judging the present and prospective capability of the domestic steel industry, and for identifying policy initiatives to avoid undue risk from foreign supply sources.

Agency Comments/Action

Speaking on behalf of the Administration, the Council of Economic Advisers disagreed with the GAO recommendation for a congressionally mandated performance objective for the steel industry. However, the Environmental Protection Agency, the Department of Defense, and the Federal Emergency Management Agency endorsed the concept and expressed their belief that establishing an industry performance objective would be a beneficial step towards revitalizing the domestic steel industry.

Appropriations

Interstate and foreign commerce - Department of Commerce

DEPARTMENT OF COMMERCE
FEDERAL EMERGENCY MANAGEMENT AGENCY

Poor Controls Over Federal Aid in Massachusetts After the 1978 Blizzard Caused Questionable Benefit Payments (CED-81-4, 1-26-81)

Budget Function: Community and Regional Development: Disaster Relief and Insurance (0453)
Legislative Authority: Disaster Relief Act. Food Stamp Act of 1964.

In February 1978, the President declared eight Massachusetts' counties a major disaster area following the most severe blizzard to strike the Boston metropolitan area in over 100 years. Federal assistance totaled about $180 million to individuals, businesses, and State and local governments. GAO was asked to review: (1) the adequacy of coordination among the Federal agencies to prevent duplicative and other erroneous payments, and (2) delays in the processing of some Small Business Administration (SBA) loans in the February 1978 disaster. Specifically, GAO reviewed disaster benefits provided to victims by SBA, the Federal Emergency Management Agency (FEMA), the Department of Housing and Urban Development, the Department of Agriculture, and the Commonwealth of Massachusetts. This assistance included loans and grants for emergency home repairs and other necessary expenses. Also, emergency food stamps were issued.

Findings/Conclusions: In its review, GAO disclosed that: (1) as a result of inadequate coordination and other management weaknesses, duplicative and questionable benefits occurred in an estimated 26 percent of the cases sampled; (2) grants were awarded without adequate determination of financial eligibility or in a manner that was not consistent with other disaster programs; and (3) emergency food stamps were issued without evidence of need or sufficient controls. Additionally, GAO doubts that reasonable safeguards were employed to ensure that only proper disaster benefits were provided and that there was a lack of necessary documentation to follow up on certain cases of suspected fraud and abuse.

Recommendations: The Director of FEMA and the Administrator of SBA should ensure that Federal disaster benefits are provided and spent only for verified losses or needs. The Director of FEMA and the Administrator of SBA should eliminate the use of oral declarations that a loan cannot be repaid as a basis for denying loans, which establishes grant eligibility. The Director of FEMA should collaborate with the Administrator of SBA and review the benefits provided to all individuals and identify those persons who received improper payments or submitted fraudulent claims. Criminal or civil actions should be pursued where the agencies, including the Department of Justice, deem it warranted. At the least, attempts should be made to recover duplicative or improper benefits. The Director of FEMA should: (1) issue instructions requiring that, before authorizing grants to purchase replacement vehicles, a determination be made concerning the adequacy of public transportation; (2) stop awarding grants for transportation when a disaster victim has already obtained a disaster loan for the same loss; and (3) generally base grants to purchase replacement vehicles on the average market value of the vehicle claimed as a loss oron a flat amount, whichever is lower.

Agency Comments/Action

On March 21, 1981, FEMA reported to the Chairman, Senate Committee on Governmental Affairs, on the actions being taken on the recommendations. FEMA advised that it will perform a selective review of recipients' benefits to determine whether any duplicative or improper benefits exist. Where appropriate, FEMA will take steps to recover Federal funds. FEMA also advised that it is reexamining its policy guidance and revising instructions and procedures in response to most of the remaining recommendations.

Appropriations

Disaster relief funds appropriated to the President - Federal Emergency Management Agency
Disaster Loan Fund - Small Business Administration

Appropriations Committee Issues

FEMA has not agreed to review the benefits provided to all individuals. The Committees should ascertain that FEMA has (1) reviewed enough cases to identify a majority of individuals who have received improper payments or submitted fraudulent claims and, (2) aggressively pursued criminal and civil actions, where warranted.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF DEFENSE
DEPARTMENT OF ENERGY
DEPARTMENT OF HEALTH AND HUMAN SERVICES
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
DEPARTMENT OF THE INTERIOR
DEPARTMENT OF THE TREASURY
DEPARTMENT OF TRANSPORTATION
ENVIRONMENTAL PROTECTION AGENCY
GENERAL SERVICES ADMINISTRATION
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION
VETERANS ADMINISTRATION

Increased Productivity in Processing Travel Claims Can Cut Administrative Costs Significantly (AFMD-81-18, 1-19-81)

Budget Function: General Government: Other General Government (0806)
Legislative Authority: Subsistence Expense Act (44 Stat. 688). 5 U.S.C. 57. 37 U.S.C. 7.

GAO examined the productivity in processing travel claims in response to a congressional request.

Findings/Conclusions: The processing of claims for travel expenses incurred by Federal employees is annually costing several million dollars more than necessary. This amount could be cut significantly by: (1) replacing the reimbursement method used for high cost areas with the method of reimbursing for lodging, plus a flat fee for meals and miscellaneous expenses; (2) eliminating redundant, overly detailed supervisory reviews and unnecessary typing of vouchers; and (3) improving voucher auditing activities at payment centers. The processing of vouchers is expensive and not offset by savings. The presently used high rate (actual cost) method of reimbursing travel provides payment of actual expenses up to a predetermined ceiling. Because it requires detailed itemization, it costs nearly twice as much to process by this method as the lodgings-plus method. Travel voucher processing productivity is also low due to unnecessarily detailed reviews by supervisors and unnecessary typing. Productivity in auditing vouchers at payment centers was impeded by an overconcern for accuracy and by poor processing practices. The General Services Administration (GSA) has proposed to change lodgings-plus reimbursement for domestic travel to make it compatible with its proposed worldwide reimbursement system. The method, as presently proposed, will be very difficult and expensive to administer. Agency payment center officials contacted felt that the proposed method would double the processing costs for lodgings-plus vouchers.

Recommendations: The heads of departments and agencies listed in appendix VII should examine each payment center to determine what actions can be taken to increase productivity. The Administrator of GSA should include in the Federal Travel Regulations a statement of the responsibilities of payment center examiners in auditing vouchers. The Secretary of Defense should direct the Defense Per Diem Committee to adopt the two-tier, lodgings-plus method for reimbursing military travel and, in conjunction with GSA, propose legislation to replace the high rate method with a two-tier, lodgings-plus method. The Administrator of GSA should direct that the proposal to add en route reimbursement to the lodgings-plus method be revised as GAO suggested. The Administrator of GSA should include in the Federal Travel Regulations a requirement for supervisory review of travel vouchers and an explanation of the purpose of such reviews, of which one level is sufficient. The Administrator of GSA should include in the Federal Travel Regulations instructions that typing of vouchers is not required and should not be done when travelers prepare legible, handwritten vouchers. The heads of departments and agencies listed in appendix VII should establish productivity measures for travel voucher processing as part of their payment center productivity measures, which GAO recommended in the report entitled, "Improving the Productivity of Federal Payment Centers Could Save Millions," FGMSD-80-13, Feb. 12, 1980. The Administrator of GSA should propose legislation to replace the high rate geographic area method with a two-tier, lodgings-plus method and increase the maximum amount reimbursable for lodgings-plus to such a level to allow for cost growth without getting congressional approval for each new ceiling.

Agency Comments/Action

OMB issued a comprehensive travel report which incorporated the major recommendations. Committees have been established among GSA, DOD, and the Department of State to act on the OMB recommendations. GSA and DOD agreed in principle with the GAO recommendations for a change in the method of reimbursing travel expenses. GSA also agreed to make the recommended additions to its travel regulations. The heads of departments and agencies addressed agreed to examine payment centers and see what actions can be taken to improve productivity. Several cited actions they had taken, most commonly to use statistical sampling in auditing vouchers.

Appropriations

Operation and maintenance - Army, Navy, Air Force
Operating expenses - Army, Navy, Air Force

Appropriations Committee Issues

The Committees should consider appropriate legislation to change the method of reimbursing travel claims.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF DEFENSE
DEPARTMENT OF THE INTERIOR
DEPARTMENT OF THE TREASURY
DEPARTMENT OF TRANSPORTATION
Federal Aviation Administration
GENERAL SERVICES ADMINISTRATION

Protection and Prompt Disposal Can Prevent Destruction of Excess Facilities in Alaska (LCD-80-96, 9-12-80)

Budget Function: General Government: General Property and Records Management (0804)
Legislative Authority: Alaska Native Claims Settlement Act. Federal Management Circular 73-5.

Federal agencies have not protected and maintained facilities which they have built on lands withdrawn from the public domain in Alaska and no longer need. Long delays in the disposal process and the lack of protection have allowed property improvements to suffer extensive deterioration and vandalism. The Bureau of Land Management (BLM) determines if the land is suitable for return to the public domain. If it has been changed substantially by improvements, BLM requests the General Services Administration (GSA) to dispose of the property. GAO reviewed five cases with improvements costing over $23 million.

Findings/Conclusions: Some deteriorated facilities have become safety and health hazards and continually project an image of Government waste. GAO found that the facilities had been extensively damaged by vandals and the elements. Untimely actions by the holding agencies and BLM delay the disposal of excess properties. Some agencies have abandoned properties before reporting them as excess, and others have taken years to decide whether properties not in use should be declared excess. BLM has not actively pursued the processing of property disposals, as their resources are allocated to the problems of conveying lands to native Alaskans and to the State of Alaska. GAO believes that a major factor contributing to delays in the disposal process is a lack of incentive to ensure timely action. BLM regulations do not require that disposals be completed within a specified time, and BLM is not responsible for protecting and maintaining property when delays occur. The cost of protecting excess properties may be prohibitive, unnecessary, and a burden on the holding agency. In such cases, the property should be destroyed according to regulations.

Recommendations: The Secretaries of Defense and Transportation should require their agencies in Alaska to determine the condition of current and future excess properties under their jurisdiction and comply with the Federal Property Management Regulations by protecting and maintaining properties pending transfer to another agency or disposal. They should destroy properties having no commercial value and properties where the estimated cost of continuing protection and maintenance will exceed the estimated proceeds from their sale. They should not abandon the properties. The Secretaries should promptly notify BLM when property will be excess. The Secretary of the Interior should require BLM to establish and follow a specified time schedule for determining whether excess property should be returned to the public domain or transferred to GSA for disposal.

Agency Comments/Action

The Departments of Defense, Transportation, and the Interior generally agreed with the GAO recommendations and indicated that corrective action would be taken in accordance with the recommendations.

Appropriations

Operation and maintenance - Army, Air Force
Operating expenses - Coast Guard
Management of land and resources - Department of the Interior
Facilities and equipment - Department of Transportation, Federal Aviation Administration

Appropriations Committee Issues

The Committees should monitor the actions taken by the agencies to insure (1) adequate protection of excess real property in Alaska, and (2) timely disposal of excess property.

DEPARTMENT OF DEFENSE
GENERAL SERVICES ADMINISTRATION

DOD Should Give Better Guidance and Training to Contractors Who Classify National Security Information (PLRD-81-3, 3-23-81)

Budget Function: General Government: General Property and Records Management (0804)
Legislative Authority: Executive Order 11652. Executive Order 12065.

GAO reviewed the classification and marking of national security information by Department of Defense (DOD) contractors. In evaluating contractor compliance with the classification program requirements of Executive Order 12065 and DOD, GAO visited 20 contractors and sent 600 questionnaires to about 600 contractors nationwide.

Findings/Conclusions: Despite the specific requirements of the Executive Order and implementing instructions, GAO found: classification guidance was approved and issued by DOD contracting officers and security personnel who did not have original classification authority; classification guidance furnished by DOD was outdated, vague, inconsistent, and oral; and information was originally classified by contractor employees who were not authorized original classifiers. About 51 percent of the documents examined had one or more classification errors. While most contained some information that was overclassified, some contained information that was underclassified; about 90 percent of the documents were improperly marked for classification. GAO concluded that DOD needs to improve the classification guidance furnished to contractors; its program for training contractor employees in classification managment; and its program for inspecting contractor compliance with the Order, implementing instructions, and classification guidance.

Recommendations: The Secretary of Defense should revise the industrial security manual to provide that contractors identify the source of original classification (a classification guide or classified document) and the office of origin on derivatively classified documents. The Secretary of Defense should revise the information security program regulation to require that classification guides, instructions, and revisions be reviewed during periodic independent classification inspections for compliance with the provisions and intent of the Executive Order. The Secretary of Defense should revise the industrial security program regulation to (1) expand the industrial security education program to include more contractor personnel in the training courses given by the Defense Industrial Security Institute; and (2) provide assistance to contractors in developing and expanding their training programs on derivative classification. The Secretary of Defense should revise the industrial security regulation to provide definitive guidance on the items to be covered by DOD inspectors, with special reference to the need for inspectors to question the propriety of classification decisions by contractors. The Secretary of Defense should revise the industrial security program regulation to require that (1) DOD schools that train project managers emphasize the need for compliance with regulations concerning classification or guidance furnished to industry; (2) every solicitation or contract dealing with classified matters be accompanied by a contract security classification specification that has the concurrence of the cognizant security official; and (3) preaward and postaward conferences with contractors discuss security requirements. The Secretary of Defense should revise the industrial security program regulation to clarify that contract security classification specifications not transmitting or referencing approved classification guides and containing the only classification guidance furnished to contractors are, in effect, classification guides and need to be approved personally and in writing by officials with top secret classification authority, as required by the Executive Order.

Agency Comments/Action

DOD did not agree with most of the recommendations and has not taken corrective action. A new Executive Order, to replace Executive Order 12065, may negate the need for some corrective action.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF DEFENSE
FEDERAL EMERGENCY MANAGEMENT AGENCY
VETERANS ADMINISTRATION

The Congress Should Mandate Formation of a Military-VA-Civilian Contingency Hospital System (HRD-80-76, 6-26-80)

Budget Function: Health: Health Planning and Construction (0554)

In response to a request, GAO reviewed the Department of Defense (DOD) plans to use nonmilitary hospitals to treat battlefield casualties in the event of war or conflict. The need for developing a contingency hospital system consisting of DOD, Veterans Administration (VA), and civilian medical resources is discussed. The primary emphasis is that the VA role should be greater than currently planned by DOD. The extent of support VA will provide DOD in treating returning battlefield casualties is the most important issue in developing a civilian-military contingency hospital system for medical treatment of wartime casualties. DOD has looked primarily to civilian medical resources to meet anticipated shortfalls should the United States become involved in war. Only recently has specific consideration been given to VA medical capability. DOD officials said that civilian resources would still be needed to treat battlefield casualties, even if DOD and VA resources were fully used for that purpose.

Findings/Conclusions: DOD recently revised several aspects of its original system. Major changes appear to be: (1) elimination of a new, possibly duplicative administrative structure as originally proposed; and (2) reliance on the military services for patient administration responsibilities. GAO agreed with these revisions. DOD revised plans are still unclear about how civilian beds and staff would be made available. Available beds and staff should be identified assuming patients are discharged early whenever possible and nonemergency admissions are restricted during the war surge period. Failure to resolve issues regarding civilian physician and hospital reimbursement and liability could limit implementation of the planned system. VA should be much more involved in planning and caring for battlefield casualties than it would be in caring only for those who will not return to duty. Just how much VA can participate is questionable. DOD has not told VA what its needs are, nor has VA told DOD what its capabilities are. GAO believes that the Nation should prepare for a possible conflict by planning to appropriately use Federal medical resources before calling on civilian resources. A strong peacetime medical resources sharing program could provide a more effective relationship between VA and DOD that could prove invaluable in war.

Recommendations: The Secretary of Defense and the Administrator of Veterans Affairs should jointly: (1) develop and establish the framework for a military-VA-civilian contingency hospital system; (2) analyze DOD and VA medical care resources to determine the Federal patient treatment capability on a time-phased basis; and (3) identify Federal and civilian capability that could be provided assuming that patients are discharged early whenever possible and nonemergency admissions are restricted during the war surge period. In addition, the Secretary should: (1) compare the medical care requirements calculated under various wartime scenarios with available Federal medical resources to determine how much and what type of civilian medical care capability would be needed to augment Federal capability; (2) determine the optimal number and placement of U.S. aeromedical staging facilities with emphasis on locations near concentrations of military and VA medical resources; and (3) in concert with other agencies having contingency planning responsibilities, assume overall coordinating responsibility for plans jointly developed by DOD and VA using Federal medical resources and necessary civilian medical capability under the military-VA-civilian contingency hospital system. The Administrator should: (1) provide estimates to DOD concerning VA potential facility and staffing capabilities to treat returning battlefield casualties regardless of whether those casualties would be expected to return to duty, and these estimates should be developed through the joint DOD-VA planning effort to establish a system; and (2) ascertain the extent to which VA affiliated hospitals would be able to assist VA in treating battlefield casualties. Congress should enact legislation which provides that both DOD and VA fully participate in Federal medical planning for and care of returning wartime casualties. Such legislation should: (1) give VA the mission of providing direct medical support to DOD for treating battlefield casualties; (2) place battlefield casualties above veterans with non-service-connected, nonemergency conditions in priority for care; and (3) remove numerous obstacles to interagency sharing, as GAO previously recommended, so that VA and DOD may establish a strong peacetime medical resources sharing program to serve as an effective foundation for a military-VA-civilian contingency hospital system.

Agency Comments/Action

DOD is in general agreement with the report's recommendations and has initiated actions necessary to implement those recommendations made to the Secretary of Defense. VA believes the recommendations are not inconsistent with its interests and past efforts, including working with DOD officials on wartime contingency arrangements. However, VA believes the full implementation of the recommendation made to it is contingent upon appropriate legislation being enacted. The Federal Emergency Management Agency agrees with the report recommendations. It is concerned, however, that it and the Department of Health and Human Services were excluded from participation in the development of the civilian-military contingency hospital system.

Appropriations

Operation and maintenance - Army, Navy, Air Force
Operation and maintenance - Veterans Administration, Department of Medicine and Surgery
Operation and maintenance - Federal Emergency Management Agency

Appropriations Committee Issues

Legislation has been introduced in both Houses of Congress which would meet the intent of the GAO recommendations to the Congress and would greatly enhance the establishment of a DOD-VA-civilian contingency hospital system. The Committees should monitor the progress of the legislative proposals and their potential impact on the requested funding levels by the affected agencies.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF DEFENSE
PANAMA CANAL COMMISSION

Examination of the Panama Canal Commission's Fiscal Year 1980 Financial Statements and Treaty-Related Issues

(ID-81-49, 6-29-81)

Budget Function: International Affairs: Foreign Information and Exchange Activities (0153)
Legislative Authority: Accounting and Auditing Act (31 U.S.C. 65 et seq.). Panama Canal Act of 1979 (P.L. 96-70; 22 U.S.C. 3601; 93 Stat. 452). Budget and Accounting Procedures Act of 1950. Antideficiency Act. B-197052 (1981). 1 U.S.C. 109. 31 U.S.C. 82. Corporation Control Act.

The Panama Canal Act of 1979 assigned GAO responsibility for: (1) auditing financial transactions of the Panama Canal Commission; (2) auditing the annual $10 million payment by the Commission to Panama for public services rendered; (3) certifying the estimated revenues in the Commission's annual budget at the time it is submitted to Congress; (4) approving the Commission's new accounting system; and (5) presenting annual statements of property transfers and all direct and indirect costs incurred by the United States in implementing the Panama Canal Treaty of 1977. Accordingly, an examination was made of the Commission's financial statements for fiscal year 1980.
Findings/Conclusions: The Panama Canal Commission was established as an appropriated fund agency which necessitates a certain approach to accounting policy and practice, particularly with respect to fund control. The Commission, which must continue to be self-supporting, saw a need to retain many of the accounting policies and practices of the Panama Canal Company. Combining these two accounting approaches will result in a unique and complex accounting system. The Commission has made progress in integrating these diverse requirements. However, more needs to be done in regard to fund control. As a consequence of the Treaty, Canal organization and DOD properties and other assets with a net book value of about $86.2 million and $33.5 million, respectively, have been transferred to Panama. Net Treaty costs to September 30, 1980, totaling about $82.0 million, have been reported by DOD and other executive branch agencies. In the opinion of GAO, the financial statements present fairly the financial position of the Panama Canal Commission at September 30, 1980, and the results of its first year of operations, changes in the investment of the United States, and changes in financial position for the fiscal year then ended. GAO supports proposed legislation that would change the Commission to a Government corporation rather than remaining an appropriated fund agency. This would eliminate much of the inconsistency in accounting principles without decreasing congressional control or oversight.

Recommendations: If it was the intent of Congress that interest be paid into the Miscellaneous Receipts Account of the Treasury, legislative action will be necessary. Congress should make an explicit statement of intent because the Act is not clear whether there should be a distinction between interest-bearing and noninterest-bearing investment of the United States. If the Commission is incorrect, toll rates will need to be increased to assure recovery of the additional interest. Congress should reconsider the requirement for an annual audit and, instead, provide for cost audits to coincide with opportunities to adjust the payments. Congress should reconsider and amend the cost reporting requirements in the Panama Canal Act of 1979 to limit them to the Department of the Army. GAO has been informed that the Panama Canal Commission plans to submit legislation seeking a change to a Government corporation rather than remaining an appropriated fund agency. If this proposal is favorably received, much of the inconsistency in accounting principles would be eliminated as the Corporation Control Act requires adherence to generally accepted accounting principles. In hearings preceding passage of the Panama Canal Act of 1979, GAO supported the corporate form of organization. GAO continues to prefer the corporate form because of its inherent flexibility as a revenue-producing, self-supporting operation. GAO sees no decrease in congressional control or oversight under the corporate form. Without some legislative changes, the inconsistency in accounting principles will remain. The Administrator of the Panama Canal Commission should act to: (1) develop and implement a procedure to assure fund availability prior to obligation; and (2) appoint and instruct, in the manner prescribed by law and regulation, the minimum number of authorized certifying officers.

Agency Comments/Action

The Panama Canal Commission agreed with the recommendation and is planning to implement it. On the matters for consideration, no action has been taken to date.

DEPARTMENT OF EDUCATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES

Coordinating and Linking Programs Directed Toward Increasing the Numbers of Minority and Disadvantaged Individuals in the Health Professions
(HRD-81-87, 5-5-81)

Budget Function: Health: Education and Training of Health Care Work Force (0558)

Many Federal programs established over the past 2 decades are directed toward increasing the numbers of disadvantaged and minority students in the health professions. Currently, these programs are separately administered by various entities within the Department of Health and Human Services (HHS) and the Department of Education. In June 1979, the Secretary of Health, Education, and Welfare established a task force to review efforts to improve access in the health professions for disadvantaged and minority individuals.

Findings/Conclusions: As of February 1981, the requested draft plan for assuring appropriate coordination among HHS programs had not been approved or implemented. Officials could not be certain when or if the plan would be implemented because the new Administration was reexamining many HHS programs for budgetary purposes. The initiatives to coordinate and link HSS and Education programs never materialized. The major Federal responsibility for increasing the readiness of disadvantaged or minority students to seek health professions careers is in the Department of Education. While most Education programs were general and not designed to point students toward specific careers, they can make students more competitive for various careers. Programs such as the Biomedical Sciences Program provide outreach and assistance specifically to students interested in the health fields. Changes by the new Administration could affect the many separate programs that influence the numbers of disadvantaged and minority individuals pursuing health careers. However, until these changes occur, there is a need to coordinate the HHS programs and to link HHS and Education programs at the lower or secondary level to those at the higher education levels.

Recommendations: The Secretary of HHS should: (1) direct that the draft plan for coordinating HHS efforts be finalized and implemented; and (2) designate an official to work with Education in developing a plan to coordinate and link Education's programs with those of HHS. The Secretary of Education should direct that the efforts to link HHS and Education programs be renewed without further delay.

Agency Comments/Action

The Department agreed with the GAO recommendations.

Appropriations

Department of Health and Human Services
Department of Education

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF EDUCATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES
DEPARTMENT OF STATE
VETERANS ADMINISTRATION

Policies on U.S. Citizens Studying Medicine Abroad Need Review and Reappraisal (HRD-81-32, 11-21-80)

Budget Function: Health: Health Care Services (0551)

GAO reviewed U.S. citizens studying medicine abroad, concentrating on: the education or training provided by six foreign medical schools in which several thousand U.S. citizens are enrolled; the clinical training which U.S. citizen foreign medical school students receive in U.S. hospitals; the avenues available for entering the American medical system; and Federal financial assistance provided to U.S. citizens while studying medicine abroad. Many U.S. citizens attend foreign schools with the goal of returning to the United States to practice medicine. Much concern has been expressed about the recent proliferation of medical schools established abroad to attract U.S. citizens, and questions have been raised about the adequacy and appropriateness of that educational experience for practicing medicine in the United States.

Findings/Conclusions: GAO believes that more appropriate mechanisms are needed to ensure that all students who attend foreign medical schools demonstrate that their medical knowledge and skills are comparable to their U.S.-trained counterparts before they are allowed to enter the mainstream of American medicine. The foreign medical schools which GAO visited differed considerably, but did not offer a medical education comparable to that available in the United States because of deficiencies in admission requirements, facilities and equipment, faculty, curriculum, and clinical training. A serious shortage was the lack of adequate clinical training facilities. Many U.S. citizen foreign medical school students obtained part or all of their clinical training in U.S. hospitals, but that training was not comparable to that provided to U.S. medical school students. State licensing boards are becoming increasingly concerned about U.S. citizens from foreign medical schools obtaining their clinical training in U.S. hospitals. Foreign medical schools do not receive direct Federal financial assistance, but may receive guaranteed student loans or VA educational benefits.

Recommendations: Congress should direct the Secretary of Health and Human Services (HHS) to work with State licensing authorities and representatives of the medical profession to develop and implement appropriate mechanisms that would ensure that all students who attend foreign medical schools demonstrate that their medical knowledge and skills are comparable to those of their U.S.-trained counterparts before they are allowed to enter the U.S. health care delivery system for either graduate medical education or medical practice. The Administrator of the Veterans Administration (VA) should accept foreign medical schools approved by the Secretary of Education as a basis for authorizing educational benefits to qualified veterans, their spouses, and their dependents. The Secretary of Education should issue regulations establishing procedures and criteria for implementing the legislative requirement that the Department of Education ensure that foreign medical schools are comparable to medical schools in the United States before authorizing guaranteed student loans for U.S. citizens attending these schools. The Secretary of Education should ensure that the Government's interest in outstanding guaranteed student loans at foreign medical schools is adequately protected by properly verifying the status of all U.S. citizens with outstanding loans and initiating repayment where appropriate. The Secretary of Health and Human Services should, in cooperation with State licensing authorities and representatives of the medical profession, address the current practice whereby students attending foreign medical schools receive part or all of their undergraduate clinical training in U.S. hospitals.

Agency Comments/Action

HHS, the Federation of State Medical Boards, the Association of American Medical Colleges, and the American Hospital Association generally agreed with the findings, conclusions, and recommendations in the draft report regarding the need to ensure that all students who attend foreign medical schools demonstrate that their medical knowledge and skills are comparable to their U.S.-trained counterparts before they are allowed to enter the U.S. health care delivery system. The American Medical Association agreed with the recommendation concerning clinical training in U.S. hospitals and stated that this is a valid issue for concern. However, the Association does not believe the Federal Government should become involved in accrediting programs or in establishing prerequisites in the United States. The Association contends that adequate safeguards already exist and, therefore, further Federal regulation is inappropriate. Education agreed with the findings and recommendation regarding the need to issue regulations for assessing comparability to determine eligibility for the Guaranteed Student Loan Program. However, Education believes there may be ways other than issuing regulations to implement the intent of this recommendation. In view of the importance of this issue and the need for such regulations, GAO is concerned that Education has not set forth a specific course of action it intends to take. Education agreed with the recommendation to protect the Government's interest in outstanding guaranteed student loans for U.S. citizens studying medicine abroad. VA said it has no objection to the recommendation that it accept foreign medical schools approved by the Secretary of Education as a basis for authorizing educational benefits to qualified veterans, their spouses, and their dependents. VA stated, however, that its legislation and attendant regulations would have to be considered when evaluating the adequacy of any new Education standards.

Appropriations

Department of Health and Human Services, Health Resources Administration

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF ENERGY
DEPARTMENT OF HEALTH AND HUMAN SERVICES
ENVIRONMENTAL PROTECTION AGENCY
INTERAGENCY RADIATION RESEARCH COMMITTEE
NUCLEAR REGULATORY COMMISSION

Problems in Assessing the Cancer Risks of Low-Level Ionizing Radiation Exposure (EMD-81-1, 1-2-81)

Budget Function: Health: Consumer and Occupational Health and Safety (0559)
Legislative Authority: Treasury, Postal Service and General Government Appropriation Act, 1980 (P.L. 96-74). P.L. 95-622. P.L. 95-601.

Public concern about the health effects of low-level ionizing radiation exposure has increased in recent years. Therefore, GAO undertook a study to determine: what definite conclusions, if any, can be drawn from current scientific knowledge about the cancer risks of low-level ionizing radiation exposure, and what conclusions can be drawn about the best direction for current and future Federal research. The immediate goal of the Federal research program is to develop a data base for estimating the risk of low-level radiation exposure. The long-term goal is to understand the mechanisms and processes of how radiation causes cancer. Data from two studies involving low-level radiation were analyzed; a literature search was conducted; and the current status of ionizing radiation research was reviewed.

Findings/Conclusions: As yet, there is no way to determine precisely the cancer risks of low-level ionizing radiation exposure, and it is unlikely that this question will be resolved soon. There is a continuing need for federally sponsored research in this area, and GAO believes that Federal research efforts can be strengthened. It also agrees with the objectives of current congressional and Executive Branch initiatives to coordinate Federal research efforts in this area. The Interagency Radiation Research Committee, recently formed by Presidential memorandum, is such an important area that GAO believes a Federal interagency research review group should be created by legislation. Epidemiologists have used estimates of the number of cancers induced by high-level exposures to radiation to predict the numbers that may be induced by lower exposures. These predictions can vary widely depending on which of several mathematical equations is used. An intensive effort to synthesize the results of radiation research might be accomplished by developing quantitative theories of radiation carcinogenesis and critically testing their predictions with cellular and animal experiments.

Recommendations: Congress should enact legislation giving statutory authority to an interagency committee to coordinate Federal research on the health effects of ionizing radiation exposure. The Interagency Radiation Research Committee should, because of limited funding, ensure that epidemiological studies involving primarily low levels of ionizing radiation exposure are of sufficient scientific merit to justify the costs of long-term follow-up efforts. The Interagency Radiation Research Committee should ensure that the cognizant Federal agencies continue to conduct epidemiological studies of groups, such as the Japanese atom bomb survivors, the uranium miners, and the radium dial painters, that offer large numbers of people and a range of radiation exposure doses. The Interagency Radiation Research Committee should ensure that the cognizant Federal agencies continue to conduct a limited number of high-quality animal experiments, including those analyzing the metabolism and toxicity of radionuclides in beagle dogs and small-scale experiments to investigate radiation mechanisms. The Interagency Radiation Research Committee should consider carefully and initiate actions to implement recommendations in the June 1979 report of the Interagency Task Force, in particular: (1) encourage expansion in the number of scientists and institutions performing the research, and assure that scientists of high quality are funded, (2) have NIH and other agencies provide more of the fiscal support for the national laboratories, thereby giving them more access to the laboratories, and (3) ensure that a diversity of Federal agencies continue to fund research, particularly in high priority research areas. The Interagency Radiation Research Committee should ensure, in research on ionizing radiation exposure, that increased priority and emphasis are given to studying the mechanisms of how radiation causes cancer, through molecular and cellular studies and other fundamental research.

Agency Comments/Action

The Interagency Radiation Research Committee members agree with the need to implement the recommendations of the Federal Interagency Task Force on the Health effects of Ongoing Radiation. However, the member agencies - Department of Health and Human Services, and Defense; Environmental Protection Agency; Nuclear Regulatory Commission; and Veterans Administration - disagree with GAO recommendations that the Committe be given statutory authority to coordinate Federal research. The agencies believe that their Executive Order mandate is sufficient. The Department of Health and Human Services agrees with GAO and has withdrawn from circulation the National Institute for Occupational Safety and Health publications on low-level ionizing radiation.

Appropriations

General health programs - Department of Health and Human Services, National Institutes of Health

Cancer research - Department of Health and Human Services, National Institutes of Health

Biomedical research and development - Department of Energy

DEPARTMENT OF ENERGY
DEPARTMENT OF JUSTICE

Better Communication Could Have Enhanced Enforcement of Federal Oil Pricing Regulations (GGD-81-60, 5-4-81)

Budget Function: Administration of Justice: Federal Law Enforcement Activities (0751)
Legislative Authority: 15 U.S.C. 751 et seq.

The Departments of Energy and Justice have shared the responsibility for enforcing the Federal oil pricing and allocation regulations.

Findings/Conclusions: Both agencies can enhance enforcement efforts through better communication and coordination of their investigative and prosecutive activities. Energy can help insure that its district Office of Enforcement officials seek civil penalties in all appropriate cases where remedial orders have been issued and complied with. GAO believes that such steps are necessary, even though the President discontinued controls on crude oil and refined petroleum products, because both agencies are currently pursuing legal actions on violations which occurred prior to the President's action. Justice is maintaining and providing better information on prosecutive declinations.

Recommendations: The Secretary of Energy should disseminate a policy statement instructing district Office of Enforcement officials to forward all cases where remedial orders have been issued and complied with and where civil penalties are deemed appropriate to the Office of the General Counsel for possible referral to Justice for civil prosecution. The Attorney General should improve Justice's communication with Energy on criminal prosecutive actions by providing written and detailed notification of Justice's preliminary prosecutive decisions in order to provide Energy with as much information as possible while it awaits Justice's final decisions.

Agency Comments/Action

Justice and Energy officials agreed with the factual information in the report. Energy officials also agreed that civil penalties should be sought when appropriate and informed GAO that all Office of Enforcement district managers have been instructed to refer appropriate cases to Energy's Office of the General Counsel. Although Justice agreed with the desirability and need to provide Energy with detailed information regarding preliminary decisions to decline criminal prosecutions, it disagreed with the GAO recommendation to provide written notification to Energy. Justice officials did inform GAO, however, that at the end of the GAO review, greater oral communication was taking place between Justice and Energy on prosecutive decisions.

Appropriations

Administration of justice - Department of Justice, Criminal Division

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF ENERGY
DEPARTMENT OF LABOR

Slow Progress and Uncertain Energy Savings in Program To Weatherize Low-Income Households (EMD-80-59, 5-15-80)

Budget Function: Energy: Energy Conservation (0272)
Legislative Authority: Comprehensive Employment and Training Act of 1973. Economic Opportunity Act of 1964 (P.L. 88-452). Energy Conservation and Production Act (P.L. 94-385; 42 U.S.C. 6892). National Energy Conservation Policy Act (P.L. 95-619). Older American Community Service Employment Act (P.L. 93-29). OMB Circular A-102. H.R. 6136 (96th Cong.). H.R. 6619 (96th Cong.). S. 1725 (96th Cong.).

As required by Federal legislation, a review was undertaken of the Department of Energy's (DOE) weatherization assistance program and its covered activities during fiscal year 1978. Through fiscal year 1978, DOE and the Community Services Administration (CSA) administered nearly identical low-income weatherization programs. However, in fiscal year 1979, the CSA low-income weatherization program was not funded, and DOE was given full responsibility for weatherizing the homes of low-income persons to reduce high utility bills and conserve energy. The DOE program is administered on a decentralized basis through 10 regional offices. Moreover, grant funds are provided to the States which, in turn, redistribute the money to local administering agencies for program implementation.

Findings/Conclusions: Although the Low-Income Weatherization Program of DOE could go a long way toward conserving energy and reducing the utility bills of people least able to afford them, the Program has been hampered by: (1) a lack of procedures for selecting homes; (2) problems in obtaining sufficient labor; (3) a lack of emphasis on rental units; (4) legal limits on administrative expenses at the local level; and (5) inadequate financial management and program monitoring at the Federal, State, and local levels. Additionally, only about 96,000 homes, as opposed to the estimated 393,000 homes, were reported by DOE as weatherized through December 31, 1978; and even this figure is overstated because it includes homes weatherized under the CSA program.

Recommendations: The Secretary of Energy should: (1) implement program regulations that will require local agencies to select homes to be weatherized from priority lists, after considering both the magnitude of potential energy savings and the need to reach low-income people; (2) revise the progress reporting system to ensure that the total number of homes weatherized under DOE and CSA programs are identified and reported accurately; (3) instruct DOE regional offices, the States, and the local administering agencies to place more emphasis on providing program benefits to occupants of rental units; (4) closely monitor the adequacy of administrative funds and, if problems continue, ask Congress to relax the 10-percent limitation; (5) design a monitoring system to provide DOE with assurance that the States' monitoring of local agencies is adequate to identify and correct accounting, unallowable expenditures, reporting, and inventory problems; and (6) require the scope of annual Certified Public Accountants audits of local administering agencies to include work which will determine if financial management systems meet Federal requirements and if program expenditures are allowable. Additionally, the Secretaries of Energy and Labor should continue to monitor the labor situation and periodically assess the effectiveness of their efforts. Moreover, DOE should grant waivers permitting weatherization funds to pay for labor costs only after all reasonable efforts to obtain labor resources have been exhausted, and DOE determines that denial of a waiver will cause weatherization funds to remain idle.

Agency Comments/Action

DOE agreed with all the recommendations except for the requirement that local agencies select homes by considering both energy savings potential and the need to reach the low-income target population. A followup of DOE actions indicates that, although the number of homes weatherized has substantially increased since the GAO report was issued, some of the same problems on which GAO reported continue to impede the program.

Appropriations

Department of Energy and related agencies

Appropriations Committee Issues

DOE must make a number of improvements in its management of the low-income weatherization program if the program is to have any impact on conserving energy and reducing utility bills of low income persons.

DEPARTMENT OF ENERGY
Office of Coal Mining
DEPARTMENT OF LABOR
Mine Safety and Health Administration
DEPARTMENT OF THE INTERIOR
Bureau of Mines

Low Productivity in American Coal Mining: Causes and Cures (EMD-81-17, 3-3-81)

Budget Function: Energy: Energy Supply (0271)
Legislative Authority: Mine Safety and Health Amendments Act of 1977 (Federal) (P.L. 95-164). Coal Mine Health and Safety Act of 1969 (Federal) (P.L. 91-173). P.L. 77-49. P.L. 80-328. P.L. 82-552.

In order to reduce the Nations's reliance on imported oil, national energy policy calls for greater use of coal. The Nation's ability to make this transition to coal depends on the coal industry's ability to meet future coal production needs. Given the importance which labor productivity plays in the quantity of coal produced, productivity is crucial to meeting national energy goals. Between 1947 and 1969, the coal industry experienced a threefold increase in productivity. However, since 1969, overall coal industry productivity has declined 26 percent with a 43-percent decline in underground mine production. GAO evaluated the major factors determining productivity in the coal industry and identified those mainly responsible for the decline in labor productivity. The review is based on an analysis of a large coal mine data base, interviews with mining personnel at 44 mines, and discussions with Government and private officials.

Findings/Conclusions: The decline in underground productivity during the 1970's was closely tied to the reduced quality of labor-management relations, especially after 1973. Mine Safety and Health Administration (MSHA) regulation was a primary cause of declining underground productivity between 1970 and 1973, but was less important afterwards. MSHA regulation reduces mine production primarily by requiring that increased labor be spent on nonproduction activities and by reducing available production time. The enactment of strict State reclamation laws is largely responsible for the decline in productivity in surface mining. Although coal mining technology has not caused productivity to decline, mechanization and technological innovation slowed in both underground and surface mines in the late 1960's and has not advanced sufficiently to offset the loss due to other causes. GAO found that geological conditions in underground mines, often cited as a possible cause for declining productivity, have not worsened or led to lower productivity. Since 1969, underground mines have experienced worsening labor-management relations as reflected in the increase in the number of strikes. Legislation, which authorized more stringent health and safety standards, vastly increased Federal enforcement powers and resources. Increased enforcement activity resulted in lower productivity during the peak of inspections in 1973. While MSHA regulation reduced fatalities in coal mines dramatically, nonfatal injuries have stayed high.

Recommendations: Congress should increase the required minimum amount of on-the-job safety training for supervisors and miners. Congress should authorize the Department of Labor to fund coal industry programs to train coal management and labor in effective communication and grievance handling. The Bureau of Mines should ensure that its products are adequately tested in working coal mines to establish and demonstrate their benefits. MSHA should devise ways to minimize the regulatory lag which now delays introduction of productivity enhancing equipment that does not impair mine safety. The Secretary of Labor should direct MSHA to analyze the impact on industry of increasing training requirements and provide further assistance if warranted. The Secretary of Energy should direct the Office of Coal Mining to increase efforts in those areas which have high potential for productivity gains. Those projects that should receive special attention are the ones which reduce MSHA regulation's adverse productivity impacts, improve longwall mining techniques, and improve face haulage.

Agency Comments/Action

The Department of the Interior concurred with the GAO recommendation to adequately test its safety equipment in working coal mines to insure their commercialization and has programmed special emphasis in this area for the 1980's. The Department of Labor concurred with the GAO recommendations and has taken action to address ways to decrease regulatory lag and analyze the impact of training requirements. The Department of Energy concurred and indicated that the GAO recommendations will be a useful input in program and budget planning of future coal mining research work now underway for fiscal year 1983.

Appropriations

Health and safety regulation - Department of the Interior
Health and safety regulation - Department of Labor, Mine Safety and Health Administration
Research and development - Department of Energy, Office of Coal Mining

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF ENERGY
DEPARTMENT OF STATE
DEPARTMENT OF THE TREASURY

The United States Remains Unprepared for Oil Import Disruptions
(EMD-81-117, 9-29-81)

Budget Function: Energy: Emergency Energy Preparedness (0274)
Legislative Authority: Naval Petroleum Reserve Act (P.L. 94-258). Emergency Petroleum Allocation Act of 1973. Clean Air Act. Energy Policy and Conservation Act (P.L. 94-663). Federal Aid Highway Amendments of 1974. Surface Transportation Assistance of 1978. Emergency Energy Conservation Act of 1979 (P.L. 96-102). Powerplant and Industrial Fuel Use Act of 1978. Federal Power Act. Natural Gas Policy Act of 1978. Emergency Highway Energy Conservation Act. Executive Order 12287.

GAO examined the Federal Government's ability to cope with oil import disruptions, reported on the adequacy of the Department of Energy's (DOE) current contingency programs and organization for dealing with oil shortages, and suggested ways to strengthen the Nation's energy emergency preparedness. In order to examine present emergency preparedness, GAO examined emergency programs for quickly increasing oil supplies, substituting other fuels for oil, restraining oil demand, and allocating short supplies both nationally and internationally. GAO also analyzed the contingency programs provided by the Emergency Petroleum Allocation Act since Congress might choose to renew or otherwise extend the authority of one or more of those programs.

Findings/Conclusions: With the exception of the recent buildup of the Strategic Petroleum Reserve (SPR), the United States is no better prepared to deal with significant disruptions in oil imports than it was during the 1973 oil embargo. The Nation's almost total lack of emergency preparedness requires immediate attention. GAO found that the Nation is grossly unprepared to cope with a large shortfall because: (1) no plan has been prepared for emergency surge oil production; (2) there is no adequate plan for using SPR; (3) the Government has no plans for managing private oil stock drawdown; (4) both crude oil and petroleum product allocation programs are in disarray; (5) Federal and State plans for restraining oil demand are totally inadequate; (6) emergency oil reserves both here and in other industrialized countries are not adequate; and (7) the international oil sharing mechanism is too narrowly focused and may not work effectively. Government energy supply programs should be developed before any shortages occur so that government at all levels will not have to enact measures in the confusion and political pressures generated by a disruption of supplies. Programs are needed which: will yield significant benefits when applied, are fully developed and kept ready for use, can be implemented in a timely manner, can coordinate the actions of the public and private sectors, can be enforced, and are fully tested before use.

Recommendations: Congress should: (1) provide for the Secretary of Energy to maintain, after expiration of the Emergency Preparedness Allocation Act (EPAA), the authority to require companies to adjust stock levels in times of energy emergency; (2) continue DOE authority to require refiners to contribute oil to the Strategic Petroleum Reserve as a backup in case other acquisition strategies fail, since this authority expires with EPAA after September 30, 1981; (3) authorize production at Elk Hills above current maximum efficient rates during oil supply emergencies when there is minimum risk of damage to the oil field; and (4) replace the expiring EPAA authorities with a standby system to help assure oil availability during disruptions. Whatever system is chosen should not embody overall domestic oil price control and should be fully developed, tested, and maintained in readiness for future disruptions. Congress should require the Secretary of the Treasury, with the assistance of the Secretary of Energy, to review tax and rebate alternatives for use in oil supply emergencies and recommend legislation if it is appropriate. Congress should amend the Emergency Energy Conservation Act to provide for implementation of the Federal plan in any State if, 60 days after the Governor has been notified of an emergency energy conservation target, the President determines that the State plan is not working effectively or immediately if a State plan has not been approved. Congress should require DOE to provide States with criteria by which their plans will be reviewed within 60 days. These should include how much reduction in energy consumption State demand restraint programs should be capable of realizing within specific time periods. Congress should require that State plans be submitted for approval to DOE within 9 months. The Secretary of Energy should ensure the timely completion of an inventory drawdown plan so that the Government can effectively manage drawdown of industry stocks. Design of data systems should not be held up while other DOE data needs are being assessed. Most important is receiving industry-wide input on the draft plan and Office of Management and Budget approval for the required data collection systems. The Secretary of Energy should prepare plans to establish a private petroleum reserve to ensure that high levels of industry stocks are available for emergency purposes and to promote the building of industry reserves. In this connection, the Secretary should review and analyze the various options to achieve this objective, including: (1) requiring companies to set aside, as present law permits, 3 percent of the previous year's imports or throughput; (2) providing financial incentives for holding oil stocks above a certain level; and (3) establishing a quasi-public corporation to build and maintain stocks so as to remove their costs from company books and to assure some Government control and management of them. The Secretary should decide which options will best assure the establishement of the private petroleum reserve and, if necessary, seek legislative authority to carry out such options. The Secretary of Energy should improve the Strategic Petroleum Reserve (SPR) oil acquisition strategy to provide a greater proportion of secure supplies. With due regard for existing contractual arrangements and SPR storage capacity, the Secretary should obtain, at a minimum, all Federal offshore royalty oil from leases which produce 100 barrels a day or more of royalty oil, and continue to seek to obtain Alaskan royalty oil. The Secretary should ensure that comprehensive contingency plans clearly specify options considered for SPR use, including rate, amount, and timing of drawdown, and specify the method of oil distribution. The Secretary of Energy should complete a plan for Elk Hills surge oil production and examine the prospects for surge production on other Federal lands and seek cooperation from governing authorities in States with significant potential for surge oil production to allow increased emergency production where feasible and to prepare standby programs. The Secretary of Energy should: (1) prepare, if it proves to be cost-effective, an information system for monitoring State energy use that can be used for demand restraint programs in concert with State governments; (2) expand the current Federal standby plan to include a set of measures with potential for achieving substantial oil savings; (3) prepare public information materials and programs in advance for use during disruptions to promote demand restraint; (4) acquire the information needed on end-user multifuel use capabilities and complete in a timely manner on-going studies of gas transportation and emergency oil and gas production; (5) design appropriate information systems to effectively monitor supply availability, transport capacity, and end-user switching capability; and (6) evaluate the constraints to fuel switching, and identify options to deal with the constraints so as to effectively implement an emergency fuel switching program. The Secretary of Energy and the Secretary of State should seek International Energy Agency members' agreement to: (1) maintain 90 days of true emergency reserves and evaluate the desirability of amending the present requirement to 120 days; (2) set aside a portion of emergency reserves for possible drawdown in periods of market instability or disruptions not large enough to trigger the Emergency Sharing System (ESS); (3) consider the creation of a spot market stabilization fund; (4) provide for thorough and frequent review of the effectiveness of member nation demand restraint programs, emergency reserves, and fair sharing programs; (5) upgrade or revise the ESS information system; (6) provide a binding mechanism for resolving price disputes among member countries under emergency sharing; and (7) consider enactment by each of the members of legislation authorizing establishment of an emergency tax on oil products or a crude oil disruption tariff for use in severe disruptions.

Agency Comments/Action

All recommendations are open.

Appropriations

Energy preparedness - Department of Energy

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF ENERGY
DEPARTMENT OF STATE
NUCLEAR REGULATORY COMMISSION

The Nuclear Non-Proliferation Act of 1978 Should Be Selectively Modified
(OCG-81-2, 5-21-81)

Budget Function: International Affairs: Conduct of Foreign Affairs (0152)
Legislative Authority: Nuclear Nonproliferation Act of 1978. Atomic Energy Act. Foreign Assistance Act of 1961. Energy Reorganization Act of 1974 (42 U.S.C. 5841(f)).

The Nuclear Nonproliferation Act of 1978 (NNPA) represents an important step by the United States to establish a framework of controls and incentives that, if adopted internationally, could reduce the threat of weapons proliferation and promote the peaceful uses of nuclear energy. Title I states that, as a matter of national policy, the United States should take such actions and measures as are necessary to assure the availability of an adequate supply of nuclear fuel to those nations which adhere to effective nonproliferation policies. Title II calls for U.S. contributions of financial, technical, informational, and other resources to assist the International Atomic Energy Agency in effectively implementing safeguards. It also calls on the United States to seek to negotiate international principles and procedures to be followed in the event of the diversion, theft, loss, or sabotage of nuclear materials, equipment, or technology. Title III establishes new regulatory controls over U.S. nuclear exports and mandates new complex procedures in the way commercial nuclear export decisions are reviewed and approved by Federal agencies, with provisions for oversight by the President and Congress. Title IV expands U.S. criteria for future agreements for peaceful nuclear cooperation and directs the President to attempt to change existing agreements to comply with the new criteria. Title V calls on the United States to assist developing nations, especially Nonproliferation Treaty parties, in identifying and developing nonnuclear energy alternatives with emphasis on solar and other renewable energy sources. Since the Act's enactment in 1978: (1) no additional nations have acknowledged exploding a nuclear device; (2) 12 nations have ratified the Nonproliferation Treaty; (3) Spain has moved toward placing all of its nuclear activities under international safeguards; and (4) the predicted foreign drive to acquire enrichment and reprocessing capabilities has somewhat abated.

Findings/Conclusions: International cooperation is the key to the nonproliferation effort but, with few exceptions, major nations have criticized the U.S. nonproliferation strategy. The factors influencing foreign reactions to the strategy vary widely and include energy, security, political, technical, and economic issues. Despite the Act's limited impact to date, GAO does not believe that major revisions are warranted because: (1) the Act has only been in existence for 3 years and, since many international cooperative initiatives are required, it may be too soon to make a meaningful and objective assessment of its potential long-term impact; and (2) although it is questionable whether one nation can singlehandedly solve nonproliferation issues, through the Act the United States has heightened worldwide awareness to the dangers of proliferation. However, GAO believes that the Act should be selectively modified to: (1) conform with political, technical, and economic realities; (2) obtain wider international acceptance; (3) preserve the framework for curbing the inherent risks of weapons proliferation associated with peaceful nuclear cooperation; and (4) improve executive branch implementation.

Recommendations: Congress should state that it is U.S. policy to provide expedited review procedures for exports under new or renegotiated agreements for cooperation. Congress should amend the NNPA to revise the licensing delay notification requirements to require the executive branch and the Nuclear Regulatory Commission to better account for licensing delays and inaction. Congress should exempt exports from complying with licensing criteria that do not conform with requirements of a new or renegotiated agreement for cooperation. Congress should amend the NNPA to transfer DOE authority to approve all non-military Government exports of nuclear materials to the Nuclear Regulatory Commission. Congress should amend the NNPA to require DOE to provide for the withdrawal of DOE general authorizations in the event the President terminates other nuclear exports. Congress should amend the NNPA to require the Nuclear Regulatory Commission to refer to the President for decision those export license applications which the Nuclear Regulatory Commission has had a favorable executive branch recommendation under review for 120 days, if the applicant requests such a referral. Congress should amend the NNPA to require DOE to limit general authorizations of significant transfers of nuclear technology to non-nuclear weapon nations that adhere to full-scope safeguards. Congress should amend the NNPA to require DOE to allow the Secretary of Energy to delegate approval authority for granting U.S. firms and individuals authorization for certain commercial nuclear activities abroad. Congress should amend the NNPA to require DOE to provide a better public accounting of authorizations granted. Congress should clarify to what extent effectiveness of international safeguards should be considered by the Nuclear Regulatory Commission in export licensing. Congress should eliminate the need for an annual extension of the exemption to certain export licensing criteria provided to the European Atomic Energy Community by amending section 304(a) of the NNPA. Congress should also amend section 404(b), (c), and (d) of the NNPA to eliminate the annual presidential review of Title IV's agreement criteria and proposed common export policies to determine whether any should be applied as export licensing criteria. Congress should delete Title V from the NNPA. Congress should determine whether DOE has adequately demonstrated that it fully and objectively considered (1) the option of postponing the current centrifuge construction program and (2) the feasibility of introducing the potentially more efficient and cost-effective advanced enrichment technologies. The Secretary of Energy, in conjunction with the Secretary of State, the Director of the Arms Control and Disarmament Agency, and the Chairman of the Nuclear Regulatory Commission, should assess the merits of continuing the Carter Administration's offer to accept limited quantities of foreign spent fuel into the United States. The Secretary of State should meet with other world leaders and International Atomic Energy Agency officials to address the problems impeding the effective application of international safeguards and to develop a multinational plan to overcome these problems. The Secretary of Energy, in conjunction with the Secretary of State, the Director of Arms Control and Disarmament Agency, and the Chairman of the Nuclear Regulatory Commission should revise executive branch export licensing procedures (43 Fed. REG. 25326) to allow generic recipient government assurances for repetitive exports. The Secretary of State should in consultation with the Secretary of Energy, the Director of the Arms Control and Disarmament Agency, and the Nuclear Regulatory Commission, reconsider the direction and scope of the Program of Technical Assistance to International Atomic Energy Agency (IAEA) Safeguards, in light of (1) the original intent of the program, (2) the provisions of the Nuclear Non-Proliferation Act of 1978, (3) the increasing dependence of IAEA on this U.S. program, and (4) the need to retain the international character of the IAEA safeguards system. The Secretary of State should improve the predictability and timeliness of the export licensing process for highly enriched uranium by (1) telling foreign governments, after appropriate consultations, which reactors merit continued U.S. supplies pending commercial availability of more proliferation-resistant fuels and (2) expediting the executive branch processing of export requests for presidential review. The Secretary of Energy, in conjunction with the Secretary of State, the Director of the Arms Control and Disarmament Agency, and the Chairman of the Nuclear Regulatory Commission should revise the policy to allow the executive branch to consider and act on foreign reprocessing requests without requiring the demonstration of physical need. The NRC should resume decisionmaking proceedings on whether commercial reprocessing and the use of plutonium-bearing fuels should be permitted on a widescale basis in the United States from an environmental, health, safety, and safeguards standpoint. The Secretaries of State and Energy should vigorously pursue solutions to nuclear fuel supply assurances, international spent fuel management, and international plutonium management and storage.

Agency Comments/Action

On July 16, 1981, the President announced that the U.S. nuclear non-proliferation policy was being reviewed. The Department of State advised GAO that the entire range of subjects discussed in this report would be included in the Administration's review. Concerning the recommendations to revise the Nuclear Non-Proliferation Act, executive branch agencies commented that the Administration was considering whether it should seek changes in this law and would communicate its views to Congress at an appropriate time.

Appropriations

Administration of foreign affairs - Department of State
International organizations and conferences - Department of State
Atomic energy defense activities - Department of Energy
Arms control and disarmament activities - U.S. Arms Control and Disarmament Agency
Nuclear material safety and safeguards - Nuclear Regulatory Commission

DEPARTMENT OF ENERGY
DEPARTMENT OF THE INTERIOR
OFFICE OF SCIENCE AND TECHNOLOGY POLICY

Domestic Aluminum Resources: Dilemmas of Development
(EMD-80-63, 7-17-80)
(Followup Report Issued Entitled *Report on Domestic Aluminum Resources: Dilemmas of Development (EMD-81-96, 6-29-81))*

Budget Function: Natural Resources and Environment: Other Natural Resources (0306)
Legislative Authority: National Science and Technology Policy, Organization, and Priorities Act of 1976. F.P.R. 1-9.107.

For about 90 years, aluminum has been produced in much the same way. Bauxite, the conventional aluminum ore, is refined into alumina. Alumina is then reduced in smelters to aluminum. This last stage, reducing alumina to aluminum, is particularly capital and energy intensive. Although large deposits of commercial grade bauxite are very common in many foreign countries, they are rare in the United States, which consumes about 30 percent of the world's aluminum. However, the United States has plentiful nonbauxitic sources of aluminum which might be developed to help reduce raw material imports and reduce the shift of aluminum production capacity overseas, if successfully addressed by research and development policies. GAO reviewed the Bureau of Mines' metallurgy research and development program for nonbauxitic aluminum resources to see if it met these needs.

Findings/Conclusions: From its review, GAO concluded that the Bureau of Mines' nonbauxitic research effort is fundamentally misdirected. First, it has been focusing on alumina production and ignoring the fact that the primary obstacles to the use of domestic aluminous resources are the rapidly rising energy and capital costs of aluminum smelting. Without some means of reducing the capital and energy costs of aluminum manufacturing in the United States, primary metal capacity will continue to shift off shore, eliminating any new demand for alumina. Second, nonbauxitic alumina processing technology presently preferred by the Bureau of Mines is not economically competitive with conventional bauxitic alumina technology and, due especially to escalating energy costs, the competitive gap is steadily widening. Third, the Bureau of Mines' program has persisted in trying to develop a nonproprietary technology, disregarding proprietary research of both the Department of Energy and the private sector. As a consequence, the most promising new technologies are receiving inadequate research support.

Recommendations: The Secretary of the Interior, through the Director of the Bureau of Mines, should: (1) refocus the Department's alumina and aluminum metallurgy research program to identify and assist development of those technologies which offer promise of substantially reducing the energy and capital costs of making primary aluminum; (2) recalculate the operating and capital costs for each of the six nonbauxitic alumina processes reviewed in the miniplant program and the pilot-plant feasibility study using proprietary company data, as well as explicit contingency and uncertainty funding allowances for each process; (3) conduct an analysis which specifies and evaluates technical unknowns of proprietary processes, and estimates the probable capital and operating cost implications for each process, for the purpose of identifying candidates meriting further research efforts; and (4) re-examine the economic feasibility of developing alumina from alunite, dawsonite, and clay/carbo-chlorination, using economic credits from the potential production of associated materials. Also, the Secretary of the Interior, through the Office of Minerals Policy Research and Analysis, should prepare a report which analyzes the aluminum industry's capacity shift off shore, and includes U.S. Government policy operations which could influence the development of domestic primary aluminum production capacity using nonbauxitic production aluminous resources. Finally, the Director of the Office of Science and Technology Policy (OSTP) should: (1) initiate a review of the alumina/aluminum research objectives and programs of the Departments of the Interior and Energy to assure compatibility of objectives and research support, particularly with regard to support of proprietary technologies; and (2) accept responsibility for a substantial program-design-and-coordination role implementing a joint aluminum research program, consistent with the need for developing new primary aluminum reduction technology, should this objective be considered desirable. Congress should: (1) refuse to consider, as premature, any requests for pilot-plant appropriations until the Secretary of the Interior publishes, in summary form, the essential comparative economic assessment of all public and proprietary nonbauxitic technology processes; and (2) direct OSTP to review and coordinate the nonbauxitic alumina and aluminum research programs of the Departments of the Interior and Energy, to assure proper coordination and consistent Federal support for the most promising technical options.

Agency Comments/Action

OSTP believed program coordination and planning could be better implemented through OSTP intervention in Bureau-level budget reviews by the Office of Management and Budget (OMB), rather than a special aluminum research program for two executive departments. GAO has issued a follow-up report to the new administration to advise them of its concerns. Officially, the Department of the Interior commented that: (1) alumina research should not be refocused until the miniplant program was completed; (2) proprietary data necessary to compare operating, capital, and contingency costs of the six nonproprietary processes it evaluated with those industry claimed were efficient would not be forthcoming; (3) the Alumina Miniplant Technical Audit Committee was already evaluating technical unknowns for each process reviewed and their contingency cost implication; (4) the economic feasibility of developing alumina from alunite, dawsonite, and clay/carbo-chlorination, including economic credits from their coproducts, could not be determined without proprietary data; and (5) there was a need for an analysis of the aluminum industry's shift off shore and the role of public policy options influencing the development of domestic aluminum capacity.

Appropriations

Alumina metallurgy and miniplant programs - Department of the Interior; Bureau of Mines; Office of Minerals Research, Mineral Resources and Technology Division; Mineral Science and Technology Branch

Alumina metallurgy and miniplant programs - Department of Energy, Conservation and Solar Applications, Conservation Research and Development Branch, Alternative Materials Utilization Branch

Alumina metallurgy and miniplant programs - Executive Office of the President, Office of Science and Technology Policy

Appropriations Committee Issues

Both reports have stressed that further alumina/aluminum metallurgy and conservation appropriations for the Departments of Energy and the Interior should be refused until their programs are effectively coordinated. Funds for OSTP policy to coordinate departmental alumina/aluminum research should be authorized.

DEPARTMENT OF ENERGY
DEPARTMENT OF TRANSPORTATION
National Highway Traffic Safety Administration
ENVIRONMENTAL PROTECTION AGENCY
FEDERAL TRADE COMMISSION

Consumers Need More Reliable Automobile Fuel Economy Data (CED-81-133, 7-28-81)

Budget Function: Transportation: Ground Transportation (0401)
Legislative Authority: Clean Air Act (42 U.S.C. 7525). Motor Vehicle Information and Cost Saving Act (15 U.S.C. 1901 et seq.). H. Rept. 96-948.

Since 1976, purchasers of new automobiles in the United States have relied on fuel economy test data to help choose fuel-efficient vehicles. Under a fuel economy labeling program administered by the Environmental Protection Agency (EPA), in cooperation with the Departments of Transportation and Energy and the Federal Trade Commission, every automobile manufactured for sale and use in the United States is required to display a label showing its tested fuel economy, its estimated annual fuel costs, and the fuel economy range of comparable vehicles. Since the program began, there have been complaints of discrepancies between the EPA fuel economy test results and consumers' reported on-road fuel economy. GAO was asked to determine why these discrepancies exist, whether better measures of fuel economy can be developed, and whether better ways of disseminating this information to consumers can be devised.

Findings/Conclusions: Differences between the EPA figures and drivers' on-road mileage figures result from many factors including variances in travel environments, driver habits, vehicle conditions, and design changes. In addition to these factors, discrepancies which are caused either by the test procedures themselves or by automobile advertising have caused consumers to become increasingly skeptical of the program. EPA proposes to revise the fuel economy labeling program by, among other things, adjusting the test values to better represent the gas mileage consumers are obtaining on the road. Its proposal includes a plan to apply an adjustment factor to each automobile label value which would account for the average discrepancy between the fuel economy test results and consumers' on-road data. Although manufacturers generally support this plan, some are concerned over how the factor should be calculated. Recent studies comparing the fuel economy test results with on-road experience indicate that separate adjustment factors may be required to reflect new automobile technologies. However, more research data are needed before any definite conclusions can be drawn on how changing technologies could affect the adjustment factors. Further, if proposed EPA revisions to the fuel economy labeling program become effective, education programs will be needed to adequately inform consumers of the program adjustments and limitations.

Agency Comments/Action

The report was not released to the agency until September 15, 1981, as requested by the Committee. Therefore, the agency has not yet commented on the report.

Appropriations

Abatement, control, and compliance - Environmental Protection Agency

Appropriations Committee Issues

The Committees should ensure that EPA is working to implement improvements to the fuel economy labeling program before continuing to fund this program.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF ENERGY
ENVIRONMENTAL PROTECTION AGENCY
OFFICE OF MANAGEMENT AND BUDGET
Office of Federal Procurement Policy

Federal Industrial Targets and Procurement Guidelines Programs Are Not Encouraging Recycling and Have Contract Problems
(EMD-81-7, 12-5-80)

Budget Function: Natural Resources and Environment: Other Natural Resources (0306)
Legislative Authority: Resource Conservation and Recovery Act of 1976. Energy Conservation Policy Act.

Federal procurement guidelines programs are discussed as they relate to the Resource Conservation and Recovery Act of 1976 (RCRA) and the National Energy Conservation Policy Act (NECPA).

Findings/Conclusions: Materials recovered from industrial and municipal solid wastes could make major contributions to the Nation's requirements for metals and paper. Increased recycling could also provide a significant new fuel source and concurrently lessen solid-waste disposal problems. However, the two referenced programs established by Congress to encourage recycling through Federal procurement guidelines and industrial targets are not succeeding. Both of the programs, like other resource recovery efforts, are lacking in direction, coordination, needed resources, and desired impact. For example, under the Federal procurement program the Office of Federal Procurement Policy (OFPP) has not pursued its leadership responsibilities, the Environmental Protection Agency (EPA) has yet to issue any recycling guidelines, and Federal agencies are reduced to waiting for policy directives before encouraging the purchase of recycled products. The program for setting voluntary industrial recycling targets administered by the Department of Energy (DOE) will not promote recycling because economic factors determine such industry activities. The review by GAO of the use of contractors on both programs supports the need for an overall Federal conflict-of-interest contract policy.

Recommendations: Congress should (1) consider enacting legislation establishing a preference program for recycled products in Federal agency procurements, taking into account the additional cost and administrative burden on the Federal procurement system; (2) direct the Administrator of OFPP to take a more active role with EPA to implement the objectives of RCRA, section 6002; (3) require evidence that any new programs will increase recycling before funds are appropriated for industrial target programs under NECPA; (4) enact legislation establishing a Federal conflicts-of-interest contracting policy; (5) review ongoing Office of Management and Budget efforts to develop directives on the use of contractors especially to prevent conflicts of interest; and (6) strengthen its oversight of contracting for consulting services. The Administrator of EPA should (1) work with the OFPP, and Congress if necessary, to develop a preference program for the procurement of recycled products; and (2) increase efforts toward identifying uses for recycled materials. However, it should avoid long-term efforts to determine percentage specifications for the content of recovered materials in purchased products. He should also amend regulations to require that conflict-of-interest clauses be included in all contracts. The Secretary of Energy should (1) not pursue efforts to redefine the industrial targets as allowed by NECPA; (2) continue to work with EPA to identify those recycled products and related programs that could have the most positive impact on the demand for this Nation's energy supplies; (3) insure that long-term task-order or quick-response contracts of the type used in the industrial targets program contain language stating that competition is required where more than one of the available contractors have the expertise to complete a specific task; and (4) amend, where possible, all current open master contracts to ensure that new tasks or assignments under these contracts are governed by the new DOE conflict-of-interest regulations. The Administrator of OFPP should (1) implement its responsibilities under RCRA, section 6002(g); (2) direct Federal procuring agencies toward accomplishing the objectives of the Act; (3) work with EPA and Congress to develop a preference purchasing program; and (4) actively address the policy issues raised by introducing conservation into the procurement process.

Agency Comments/Action

Little has been done by either OMB or DOE in response to the GAO report. EPA is proposing a preference program for the procurement of paper. However, lack of funding is delaying its progress.

Appropriations

Federal procurement policy - Environmental Protection Agency
Federal procurement policy - Department of Energy

Appropriations Committee Issues

Given the potential fuel and solid waste disposal savings from an active recycling program, the Committees should be addressing the abilities of EPA and DOE to implement effective recycling programs.

DEPARTMENT OF ENERGY
FEDERAL TRADE COMMISSION

Consumer Products Advertised To Save Energy--Let the Buyer Beware (HRD-81-85, 7-24-81)

Budget Function: Energy: Energy Conservation (0272)
Legislative Authority: Energy Policy and Conservation Act (42 U.S.C. 6201 et seq.). Trade Commission Act (15 U.S.C. 41 et seq.).

GAO reviewed the problems experienced by Federal, State, and local agencies in protecting consumers from potentially inaccurate or misleading energy-savings claims.

Findings/Conclusions: GAO noted hundreds of advertisements having questionable energy-saving claims. The ads: (1) appeared to exaggerate a product's capabilities; (2) did not disclose material facts affecting the product's performance; and (3) made performance claims which consumers could not compare with competing brands because of the lack of standard, generally accepted measures of energy savings. Consumers cannot easily determine the accuracy of energy-saving claims because: (1) sellers generally are not responsive to consumers' requests for information to support the claims; (2) the data that sellers provide consumers to support claims are often inaccurate, not relevant, or highly technical and therefore difficult for most consumers to understand or evaluate; and (3) consumers often cannot learn through experience and switch to more effective products because the energy savings are not always measurable even after purchase, and the purchases are often costly and made infrequently.

Recommendations: The Chairman of the Federal Trade Commission (FTC) should direct of the Bureau of Consumer Protection to alert consumers by publishing additional consumer fact sheets about some of the difficulties with claims and ads, particularly for solar and wood burning products. The Secretary of Energy should direct the Office of Consumer Affairs to work with its energy-saving device fraud prevention grantee to: (1) establish formal, written procedures, including adequate safeguards to protect the confidentiality of the material it handles; (2) increase its outreach activities to encourage more consumer protection agencies to participate; and (3) reach an agreement with FTC and the Postal Inspection Service to enable them to participate by sharing their data.

Agency Comments/Action

Regarding the GAO recommendation that FTC publish additional consumer fact sheets about some of the difficulties with energy-saving claims and ads, particularly for solar and wood-burning products, FTC said in its 60-day letter on the final report that it is publishing a wood-burning products fact sheet and intends to continue this type of consumer education activity in the future. In responding to the GAO final report, the Department of Energy (DOE) said that its grantee is prohibited by State law from making an absolute guarantee of confidentiality of the material it handles. DOE said that, should a request for public disclosure be made, the grantee will seek a judicial determination that releasing such documents would be against the public interest. DOE stated that its grantee is encouraging participation of more consumer protection agencies. DOE also said that its grantee is continuing its efforts to reach an agreement with FTC and the Postal Inspector to share data.

Appropriations

Salaries and expenses - Federal Trade Commission
Energy conservation - Department of Energy

DEPARTMENT OF ENERGY
NUCLEAR REGULATORY COMMISSION

Improvements Needed in the Nuclear Regulatory Commission's Office of Inspector and Auditor (EMD-81-72, 7-9-81)

Budget Function: Energy: Energy Information, Policy, and Regulation (0276)
Legislative Authority: Inspector General Act of 1978 (P.L. 95-452). OMB Circular A-73.

The Nuclear Regulatory Commission (NRC) is responsible for regulating the commercial use of nuclear power in the United States, with the goal of preserving public health and safety and protecting the environment. To help NRC carry out its duties, an Office of Inspector and Auditor (OIA) was created to provide the Commissioners with oversight over NRC programs and activities and to make recommendations for corrective actions. OIA is supposed to eliminate waste, fraud, and inefficiency within NRC by functioning in an independent audit capacity.

Findings/Conclusions: To be effective, any audit organization must have: (1) a capable, professional, and motivated staff; (2) an adequate planning and prioritization system; (3) a set of policies, procedures, and mechanisms for guiding and monitoring the staff; and (4) a system for following up on past work. Weaknesses in any one of these areas contribute to work which can be less than satisfactory in quality, timeliness, and impact. Such weaknesses presently exist in OIA operations. OIA has not followed Office of Management and Budget (OMB) requirements and GAO guidance in planning and prioritizing its work. As a result, OIA has focused too much of its attention on administrative and personnel matters rather than on the more important NRC programs and has not concentrated its investigative resources on work aimed at eliminating fraud and waste within NRC. Organizationally, OIA is independent but, functionally, GAO found examples where OIA independence needs to be strengthened.

Recommendations: Congress should consider establishing an Office of Inspector General at NRC in view of the critical importance of effective and efficient regulation to the future of commercial nuclear activities. The Chairman of NRC should require the Director of OIA to (1) develop a systematic planning and prioritization process for audit and investigative work which complies with OMB criteria and GAO guidance; (2) concentrate its OIA investigative resources on work aimed at eliminating fraud and waste within NRC; (3) avoid assigning auditors to investigative work; (4) establish a process of coordination between the audit and investigative groups in identifying possible assignments and clearly communicate that process to the OIA staff; (5) develop formal guidance for the staff to follow in carrying out its work; (6) institute a formalized system of control over assignments where milestones and staff resources are established for completing critical steps and periodic job reviews are held to evaluate the status of assignments; and (7) establish and adhere to requirements regarding the follow-up on audit reports and see to it that office directors respond in writing to OIA investigative reports. The Chairman of NRC should explore the possibility of assigning nonappropriate employee complaint cases and equal employment opportunity allegations to some other NRC office. This will allow the OIA investigative staff to give more attention to eliminating fraud and waste within NRC. The Chairman of NRC should: (1) initiate immediate actions to establish a more formal process for seeking agency officials' comments on OIA draft reports; any exception to this formal process, such as the use of an informal draft to obtain comments, should be clearly disclosed in the final report; (2) direct OIA to issue its reports if program offices are untimely in providing their comments and require OIA to reflect in its reports any changes made based on program office comments; and (3) discontinue the practice of OIA conducting joint investigations with other NRC offices.

Agency Comments/Action

The 60-day letter had not been received as of the date that this report was prepared. In providing formal comments on the report, NRC agreed with 7 of the 11 GAO recommendations directed toward it.

Appropriations

Nuclear Regulatory Commission, Office of Inspector and Auditor

Appropriations Committee Issues

The recommendations in this report are that Congress should consider establishing an Office of Inspector General at NRC. If this were done, more funds would need to be appropriated to NRC.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF ENERGY
NUCLEAR REGULATORY COMMISSION

Greater Commitment Needed To Solve Continuing Problems at Three Mile Island (EMD-81-106, 8-26-81)

Budget Function: Energy: Energy Information, Policy, and Regulation (0276)
Legislative Authority: Price-Anderson Act (Atomic Energy Damages). Atomic Energy Act of 1954. Energy Reorganization Act of 1974. Power Act (Water). Department of Energy Organization Act (P.L. 95-91). Public Utility Regulatory Policies Act of 1978 (P.L. 95-617). Public Utility Holding Company Act of 1935 (15 U.S.C. 79 et seq.). H.R. 2512 (97th Cong.). S. 1226 (97th Cong.).

The nuclear accident at Three Mile Island (TMI) placed a major electric utility system, the General Public Utilities Corporation (GPU), on the brink of insolvency while faced with a multiyear, $600-million unfunded cleanup operation that must be completed under uncertain regulatory constraints. GAO reviewed the current and prospective status of GPU.

Findings/Conclusions: GAO concluded that: (1) replacement power for TMI units is available, but future system reliability is questionable unless funds are made available to increase construction and maintenance above present restricted levels; (2) the financial condition of GPU continues to deteriorate and, unless sufficient rate relief is granted to restore its financial credibility, its future as a provider of electric power is in doubt; (3) cleanup of TMI-2 is technologically feasible but the uncertainties surrounding the source of the estimated $600 million needed for the task and the regulatory environment in which it must be done have yet to be resolved; (4) the expeditious cleanup of TMI-2 and the benefits that can be derived are significant enough to warrant the financial participation of several parties rather than putting the entire burden on any one entity; (5) State officials in Pennsylvania and New Jersey have not taken the leadership role in assembling the financial assistance needed for the cleanup; (6) on-site property insurance coverage needs to be increased to levels that the Nuclear Regulatory Commission (NRC) determines to be adequate if other utilities are to avoid the financial and operational stress suffered by GPU in the event of another major accident; and (7) better defined regulatory guidelines for nuclear accident recovery efforts are needed to minimize the delays and added costs that have occurred at TMI-2.

Recommendations: Congress should provide the required multiyear funding to the Department of Energy (DOE) for its research and development program at TMI. Congress should closely follow the current efforts to resolve the funding problems for the TMI-2 cleanup through State and utility industry financing and the DOE research and development program. If these State-led efforts are not successful, Congress should devise a mechanism which would serve to obtain the required financial assistance to complete the TMI-2 cleanup. DOE should prepare a multiyear budget proposal for Federal participation in the TMI cleanup effort and present it to Congress. The budget proposal should recognize the primary leadership role of State officials in working with GPU and the industry in the cleanup effort and within that parameter should clearly specify the objectives to be achieved by Federal involvement, the work steps required in each fiscal year, the application of the program results, and the total funding needed to successfully meet research and development objectives. NRC should closely follow the current efforts of the insurance and utility industries to increase insurance coverage to what it determines to be an acceptable level. No later than December 31, 1981, NRC should assess the progress being made. This assessment should include an evaluation of the insurance available in the private sector and a determination as to whether a mandated insurance coverage program is necessary. NRC should establish a set of guidelines that would facilitate the development of recovery procedures by utility companies in the event of other nuclear accidents. The preparation of the guidelines should be initially based on the lessons learned and experience gained from the TMI-2 cleanup and recovery efforts at other nuclear installations. NRC should periodically assess the adequacy of its guidelines and standards and evaluate the state-of-the-art technology for decontaminating air and water effluent produced by a nuclear accident to ensure that it can quickly respond to the needs of the regulated utility and adequately protect the public health and safety.

Agency Comments/Action

Agency comments were not received as of November 23, 1981.

Appropriations

Nuclear energy - Department of Energy, Nuclear Reactor Programs
Nuclear energy regulation - Nuclear Regulatory Commission, TMI Program Office in Office of Nuclear Reactor Regulation

Appropriations Committee Issues

The Committees should monitor the DOE budget request for TMI and require DOE to submit and justify a multiyear budget request.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF HEALTH AND HUMAN SERVICES
National Institutes of Health
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
ENVIRONMENTAL PROTECTION AGENCY

Reducing Tooth Decay--More Emphasis on Fluoridation Needed
(HRD-79-3, 4-13-79)

Budget Function: Health: Prevention and Control of Health Problems (0553)
Legislative Authority: Safe Drinking Water Act. Housing and Community Development Act.

A Federal research program on tooth decay prevention was started in 1971, but public officials cannot predict when the program will achieve a decrease in tooth decay. Tooth decay affects nearly every person in the United States and is a tremendous financial burden to the public and to the State and Federal governments.

Findings/Conclusions: Questionable research expenditures have been made to develop prevention techniques that do not have widespread applicability and to demonstrate methods that were already successfully marketed, such as the $2 million spent to demonstrate school-based mouthrinsing. When these demonstrations were begun, this technique was already known to be effective and had been commercially marketed in 40 States. Relatively little is being done to promote fluoridation, a proven decay prevention technique. Greater emphasis is needed to promote this cost-effective technique for reducing tooth decay. The Safe Drinking Water Act has been misinterpreted in some communities as prohibiting fluoridation. Environmental Protection Agency regulations implementing the Act are misleading in that fluoridation's dental health benefits are not prominently stated. The agency has agreed to amend the regulations.

Recommendations: The Secretary of Health, Education, and Welfare should direct the Director of the National Institutes of Health to develop criteria for undertaking National Caries Program demonstration projects and periodically, at least annually, reassess the potential public benefit of tooth decay prevention techniques being funded by the National Caries Program. The Secretary should require the Assistant Secretary for Health to: place greater emphasis on helping State and local public health agencies to promote fluoridation; determine whether the Public Health Service has the authority to provide specific financial assistance to fluoridate water supplies and, if such authority is lacking, request that Congress provide it; and increase efforts to educate the public about the decay prevention benefits of fluoridation and seek out other organizations that can help in these efforts. The Secretary of Housing and Urban Development should instruct regional officials to notify States and communities that the cost of fluoridation equipment can be included in water system improvement grants.

Agency Comments/Action

Program officials agreed with the GAO recommendations regarding fluoridation. Since the report was issued the Department of Health and Human Services (HHS) has initiated a fluoridation promotion program and, in fiscal year 1979, awarded 19 grants to states and three individual cities for water fluoridation and public awareness activities. Also, specific authority for HHS to award grants for community and school water fluoridation has been added under Section 317 of the Public Health Service Act. The Environmental Protection Agency has clarified its National Interim Primary Drinking Water Regulations by adding an acknowledgment of the benefits of fluoride in drinking water at optimum levels.

Appropriations

Department of Health and Human Services, National Institutes of Health, Center for Disease Control
Department of Labor
Department of Housing and Urban Development
Environmental Protection Agency

Appropriations Committee Issues

Congress should amend certain language in the Safe Drinking Water Act which discourages fluoridation.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF HEALTH AND HUMAN SERVICES
DEPARTMENT OF JUSTICE
Bureau of Prisons
United States Marshals Service

Jail Inmates' Mental Health Care Neglected; State and Federal Attention Needed (GGD-81-5, 11-17-80)

Budget Function: Administration of Justice: Federal Correctional Activities (0753)
Legislative Authority: Drug Abuse Office and Treatment Act of 1972 (P.L. 92-255; 86 Stat. 65). Alcoholism and Intoxication Treatment Act. Juvenile Justice and Delinquency Prevention Act of 1974 (P.L. 93-415; 88 Stat. 1139). Community Mental Health Centers Act (P.L. 88-164; 77 Stat. 290). Comprehensive Alcohol Abuse and Alcoholism Prevention, Treatment and Rehabilitation Act of 1970 (P.L. 91-616; 84 Stat. 1848). U.S. Const. amend. VIII.

Studies indicate that from 20 to 60 percent of the jail population on any given day have mental health problems. But most jails do not identify all inmates in need of help or provide for their proper care. The Law Enforcement Assistance Administration (LEAA) established the National Advisory Commission on Criminal Justice Standards and Goals to formulate national criminal justice standards and goals at the State and local levels. The Commission found a general lack of funding and program innovation at the local level, and it concluded that few local communities, especially in sparsely settled areas, have sufficient resources to resolve jails' problems and provide appropriate health and other services. The Commission recommended that the States assume the responsibility for operating and controlling local jails by 1982. If States did not assume control, it recommended alternative actions which included: (1) adoption of professional, statewide standards for jails, and State inspections to ensure compliance; (2) State supervision of and assistance for training of jail personnel; and (3) State-supervised comprehensive planning to ensure that all appropriate community services agencies were used to provide services for inmates in jails or through community-based alternatives.

Findings/Conclusions: States have made only limited progress in implementing the Commission's recommendations. States generally have not assumed responsibility for operating and controlling local jails. Some States are adopting mandatory professional standards for jail mental health services. However, States have done little to overcome widespread inadequacies in the training of local jail personnel. Criminal justice and health systems continue to operate separately with little interaction or cooperation. None of the States GAO visited had comprehensively assessed inmates' mental health care needs and community agencies' capacity to meet them or linked criminal justice and health systems to provide services for inmates in jails and through community-based alternatives. Although improving mental health care in locally operated jails is not primarily a Federal responsibility, financial and technical assistance programs administered by the Department of Justice and the Department of Health and Human Services (HHS) could aid the States in bringing mental health care services for inmates up to acceptable standards. The two Federal Metropolitan Correctional Centers which GAO visited did not always adequately screen incoming inmates or provide for adequate treatment for inmates having behavioral disorders. Treatment deviated from professional standards in that neither had a program for drug addiction. Correction of management shortfalls would improve services and facilitate the better use of resources.

Recommendations: The Attorney General should require the Administrator of LEAA to include in the Standards Implementation Program a provision for training of State personnel responsible for training local jail staff to assist States in achieving an ongoing capability to help indvidual jails meet professional standards statewide. The Attorney General should require the Director of the U.S. Marshals Service to ensure that the Service's jail inspectors are adequately trained in professional standards for jail mental health care services, as a means of assisting their implementation in local jails. The Attorney General should require that the Director of the National Institute of Corrections (NIC) instruct the NIC Jail Center to (1) make provision for training State jail inspectors in mental health services to assist in giving States an ongoing capability to evaluate jails in terms of professional standards and to help individual jails in implementing them; (2) establish a program of demonstration and training in the implementation of professional standards for mental health care services in some, and eventually all, jail Area Resource Centers; and (3) ensure that the jail Area Resource Centers, in connection with the above, draw upon the experience acquired by the American Medical Association in its LEAA assisted project to promote the implementation of jail health standards. The Secretary of HHS should require the Administrator of the Alcohol, Drug Abuse, and Mental Health Administration (ADAMHA) to (1) direct the National Institute of Mental Health (NIMH) and National Institute on Alcohol Abuse and Alcoholism (NIAAA) to revise guidelines for comprehensive statewide mental health and alcoholism plans to make it clear that State agencies should assess the needs of jail inmates in the planning process; (2) direct NIMH to furnish guidelines to community mental health centers and State agencies responsible for mental health that specifically describe the ways in which centers could assist jails; (3) direct NIAAA to evaluate its program to assist States that adopt provisions of the Uniform Alcoholism and Intoxication Treatment Act and ensure that program results are made known to other States; and (4) strengthen the National Institute on Drug Abuse procedures for reviewing State drug agencies' comprehensive plans to ensure that the drug treatment needs of jail inmates are considered. The Attorney General should require the Director of the Bureau of Prisons to (1) take appropriate actions to that assure inmates' mental health problems are adequately identified during initial screening and that behavioral disorder treatment services are upgraded to meet established policies; (2) take action to assure that Metropolitan Correctional Centers (MCC) routinely identify and refer for comprehensive health appraisals inmates who will be in the MCC's at least 14 days and provide such appraisals within that period; (3) provide MCC inmates with access to adequate substance abuse treatment programs; (4) increase the time available to professional mental health personnel for professional duties by giving greater priority to providing them with full-time clerical support; (5) use staff more effectively by ensuring that appropriate ongoing psychological reinforcement training is provided to physician's assistants engaged in mental health care problem identification; and (6) require the establishment of a psychological file for each inmate identified as mentally ill and require recording of psychological diagnoses, treatment needed, treatment provided, and results. The Secretary of HHS and the Attorney General should require the Administrators of LEAA and ADAMHA and the Director of NIC to jointly (1) establish a mechanism for continuing coordination among LEAA, NIC, and HHS institutes to better assure that their efforts regarding mental health care for jail inmates are directed towards common goals and are mutually supportive; and (2) to define and agree upon the agencies' and institutes' respective responsibilities and roles in meeting inmates' needs and, as a corollary, develop a joint strategy for their assistance efforts.

Agency Comments/Action

The Department of Health and Human Services stated that it would review present and future activities most carefully to assure that emphasis on care for jail inmates is ongoing and persistent and that strategies are jointly operated with other Federal and State agencies. The Department of Justice stated that, in general, the report presented a fairly thorough critique of mental health care conditions in state and local jails.

Appropriations

Federal prison system - Department of Justice
Mental health care - Department of Health and Human Services

Appropriations Committee Issues

The Committees should consider the matter of the efficient delivery of mental health care services.

DEPARTMENT OF HEALTH AND HUMAN SERVICES
DEPARTMENT OF THE INTERIOR

The Indian Self-Determination Act: Many Obstacles Remain
(HRD-78-59, 3-1-78)

Budget Function: Education, Manpower, and Social Services: Elementary, Secondary, and Vocational Education (0501)
Legislative Authority: Indian Self-Determination and Education, Assistance Act (25 U.S.C. 450, P.L. 93-638). Buy Indian Act of 1910 (25 U.S.C. 47). Johnson-O-Malley Act of 1934 (25 U.S.C. 452). 25 C.F.R. 271. S.Rept. 93-762. S.1017 (93rd Cong.). Indian Reorganization Act of 1934. P.L. 83-280. P.L. 94-437.

Title I of P.L. 93-638, the Indian Self-Determination Act, gives Indian tribes the opportunity to administer Federal Indian programs through contracts which they must request. The Secretaries of the Interior and Health, Education, and Welfare (HEW) are directed to contract with the tribes to plan and conduct programs which the Bureau of Indian Affairs (BIA) and/or the Indian Health Service (IHS) administer for the Indians.

Findings/Conclusions: In three areas reviewed, very little control has shifted to tribes since implementation of title I. Of 50 title I contracts given to the five selected tribes during fiscal years 1975-1977, only 1 resulted in a shift of services from the agency to the tribe, 40 represented renewals of previous contracts, and 9 were for new programs. Most tribal officials said that they did not plan to request contracts for large-scale takeover of programs, citing such obstacles as Federal procedures and policies, beliefs that contracts do not offer greater opportunities, and uncertainties and fears related to program administration and funding. Because of the agencies' interpretation of self-determination, they have adopted policies of reacting to tribal initiatives rather than encouraging tribes to contract for programs. GAO believes that the Act allows the agencies to encourage and assist tribes without violating the concept of self-determination.

Recommendations: The Secretaries of the Interior and HEW should direct BIA and IHS to establish criteria for measuring progress in implementing the Self-Determination Act and develop and implement procedures for making sure that tribes have a full understanding of their options under title I, helping tribes to obtain information needed for informed decisions on assuming programs, and guiding the tribes in determining how to acquire needed skills or resources to contract for a particular program. Some tribes may require a description of programs available for contracting and a list or description of services delivered to the tribe.

Agency Comments/Action

Subsequent to the report's issuance, the Indian Health Service has established the Office of Tribal Health Program Support. This program will be the primary mechanism for strengthened tribal self-determination capacity to operate or manage their own health care delivery system. This new program will provide the resources needed by the Indian Health Service to award contracts and grants pursuant to the Indian Self-Determination Act, and enable tribes and tribal groups to develop necessary management capabilities in such activities as planning, development of health care institutions, training staff development and evaluation of program effectiveness.

Appropriations

Preventive health - Department of Health and Human Services, Indian Health Service

Appropriations Committee Issues

Congress needs to be assured that: (1) Federal expenditures are not significantly increased as a result of the transfer of federally managed activities to tribal controlled activities; (2) BIA and IHS managed activities are not forced upon the tribes; and (3) IHS budget requests for self-determination activities related to health training, community development and urban health programs are not repetitive.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF HEALTH AND HUMAN SERVICES
FEDERAL EMERGENCY MANAGEMENT AGENCY
SELECTIVE SERVICE SYSTEM

Will There Be Enough Trained Medical Personnel in Case of War?
(HRD-81-67, 6-24-81)

Budget Function: Health: Health Care Services (0551)
Legislative Authority: P.L. 96-342. 42 U.S.C. 215. 42 U.S.C. 217.

The military services medical departments have two missions: (1) to provide peacetime care to eligible beneficiaries, and (2) to maintain readiness to meet wartime contingencies. Pursuant to a congressional request, GAO reviewed the extent to which wartime military medical personnel shortages exist, what was being done or could be done to overcome the shortages, and how well available personnel were trained for wartime missions.

Findings/Conclusions: An analysis of Department of Defense (DOD) data shows that the number and types of medical personnel in the active duty and reserve forces fall far short of the total projected personnel requirements for the current, most demanding wartime scenarios. DOD projections show that shortages of physicians, nurses, and enlisted medical personnel would be most severe, reduce capacity to deliver wartime care, and begin to occur soon after mobilization. Shortages of surgical personnel would be especially critical. Some other enlisted specialty shortages would also be critical because no pretrained pool exists in the civilian sector. To plan effectively for wartime contingencies, DOD planners need data not only on total medical personnel requirements, but also on what portion of those requirements DOD can actually use in its own military hospitals. It has made little progress toward implementing plans and initiatives to increase its capabilities in these personnel shortage areas. DOD medical readiness planning has focused on long-range goals and objectives to address anticipated changes in threat, personnel, and other factors in future years. Federal mobilization planners believe that the civilian sector has enough medical personnel to augment most military mobilization needs. Selective Service System planners have not determined the rate at which medical personnel could be brought into the military if mobilization occurred. Other alternatives are available to DOD in planning to overcome shortages of medical personnel after mobilization.

Recommendations: The Secretary of Defense should make prearrangements for interservice assignments. The Secretary of Defense should obtain advance agreements with civilian medical personnel to fill key hospital shortages. The Secretary of Defense should make arrangements to use those Public Health Service officers the Secretary of HHS determines could be committed to DOD. The Secretary of Defense should require the Army to provide needed clinical skills training programs to field personnel on loan to hospitals. The Secretary of Defense should direct the services to periodically report their requirements estimates to DOD medical mobilization planners for developing overall medical mobilization plans. The Secretary of Defense should identify and implement specific initiatives to recruit and retain nurses while continuing its initiatives to recruit and retain physicians. The Secretary of Defense should require the Army to establish firm criteria for the frequency and duration of in-hospital training to be given to field unit personnel. The Secretary of Defense should direct the services to develop a consistent and systematic method to estimate the rate at which reserve medical personnel can be expected to report for duty after mobilization. The Secretary of Defense should require the Army to increase in-hospital training programs for field unit personnel located within short distances of military hospitals. The Secretary of Defense should direct the services to develop consistent estimates of near-term medical personnel requirements based on total needs and needs as constrained by available military facilities. The estimates of constrained personnel requirements should be developed together with complete assessments of the availability of other medical resources, such as hospital beds, equipment, and logistic support. The Secretary of Defense should develop specific plans to meet the early postmobilization requirements of DOD for (1) surgeons and other surgical personnel in-theater; and (2) medical personnel in military-unique specialities. The Secretary of Defense should require the Army to structure in-hospital training programs to provide exposure to the full range of needed skills. The Secretary of Defense should plan for near term contingencies by evaluating alternatives for overcoming postmobilization medical personnel shortages which would occur before Selective Service inductees report and are trained for military duty. The Secretary of Defense should require the Army to develop a system for monitoring both clinical and combat related training to insure that they are given a high priority and are effectively accomplished. The Secretary of Defense should require the Army to provide guidance to unit and hospital commanders giving increased priority to medical readiness training. The Secretary of Defense should ascertain the extent to which courses, such as the recently developed triservice Combat Casualty Care Course, should be expanded to provide training to medical personnel not now eligible and assure that such training is provided to all appropriate categories of military medical personnel. The Secretary of Defense and the Director of the Selective Service System should submit a proposal for a postmobilization draft of medical personnel to Congress as soon as possible. The Secretary of Defense should evaluate the applicability of the GAO recommendations regarding the Army's medical personnel training programs to the programs of the other services and, where appropriate, assure that the other services take steps to implement them. The Secretary of Defense and the Director of the Selective Service System should jointly develop provisions to be included in a standby legislative proposal for a postmobilization draft of medical personnel. The Secretary of HHS should ascertain the extent to which (1) civilian medical personnel will be required and available in the civilian sector during mobilization; and (2) DOD can rely on civilian medical personnel as it plans its mobilization efforts.

Agency Comments/Action

The agencies agreed with the GAO recommendations. In written comments and testimony, DOD stated that it has directed the services to implement the recommendations relating to developing medical personnel requirements and that it had begun efforts toward implementing the other recommendations. In written comments, the Department of Health and Human Services and the Selective Service System also indicated that they would implement the recommendations. Because of the nature and interdependence of many of the recommendations, it may take many months to complete implementation. For example, a standby proposal for drafting medical personnel is not expected until February 1982.

Appropriations Committee Issues

Better contingency planning is needed to assure an adequate supply of medical personnel to meet DOD wartime requirements, especially requirements in the first months after war begins. The Committees should monitor the progress made in improving the plans and their impact on the requested funding levels of the agencies directly involved.

DEPARTMENT OF HEALTH AND HUMAN SERVICES
National Institutes of Health
NATIONAL SCIENCE FOUNDATION

Better Accountability Procedures Needed in NSF and NIH Research Grant Systems
(PAD-81-29, 9-30-81)

Budget Function: General Science, Space, and Technology: General Science and Basic Research (0251)
Legislative Authority: Science Foundation Act (42 U.S.C. 1861 et seq.). Federal Grant and Cooperative Agreement Act of 1977.

GAO assessed the systems used by the National Science Foundation (NSF) and the National Institutes of Health (NIH) to determine which research proposals by colleges, universities, and other nonprofit research institutions are to be funded and how scientific performance on the grants is assessed when continued support is provided. Specifically, GAO focused on the peer review system of the scientific performance accountability system which is used in large measure to determine which research proposals are to be funded and how scientific performance on the grants is assessed when continued support is provided.

Findings/Conclusions: Although the scientific performance accountability systems are basically the same at NSF and NIH, the procedures differ significantly. GAO believes that some of the NIH peer review procedures have certain advantages over those at NSF. At NIH, peer review prevented 17 percent of the researchers who sought additional grant funding from continuing their research, and their comments directly affected some of the other continued research. At NSF, none of the researchers who sought continued funding had their requests denied, but comments did eliminate some research objectives and the time requested to do the research was reduced. Unlike NIH, NSF does not ask peer reviewers to comment on the performance of the immediately preceding grant. For new project proposals, neither NSF nor NIH requires researchers to discuss prior grant results or to identify prior grant publications. NIH automatically fowards peer review comments to researchers; whereas, NSF forwards them only on request. NSF, NIH, or the universities do not uniformly monitor the progress or evaluate the results of research grants. Most of the researchers who were awarded renewal grants did not accomplish all of the objectives of the immediately preceding goal, but the researchers were expected to attempt the grant's objectives. Neither NSF nor NIH specifies the extent to which researchers can deviate from a grant's original objectives without prior agency approval.

Recommendations: The Director of the National Science Foundation should require that renewal proposal progress reports identify the objectives; show evidence of the progress toward their achievement; and any major changes in direction or emphasis and rationale for such changes, publications, and other input from a researcher's immediately preceding grant. The Director of the National Science Foundation should require that peer reviewers be asked when reviewing renewal proposals to specifically comment on a researcher's performance on the immediately preceding grant. The Director of the National Science Foundation should require that the documentation of panel peer review deliberations include the major elements required of the NIH peer review group summary statement when individual peer reviewers' written reviews do not provide this information. The Director of the National Science Foundation should require that peer review comments be automatically sent to researchers. The Director of the National Science Foundation should require that proposals identify the research objectives to be undertaken during the grant period. The Directors of the National Science Foundation and the National Institutes of Health should require that proposals for new projects include evidence of progress from prior grants. The Directors of the National Science Foundation and the National Institutes of Health should require that peer reviewers be furnished any available final technical reports and listings of publications from prior grants when researchers seek funding for new projects. The Directors of the National Science Foundation and the National Institutes of Health should require that more systematic and uniform review of annual progress reports be made by the program officers. The Directors of the National Science Foundation and the National Institutes of Health should require that more specific guidelines be established regarding the extent to which researchers can change grant objectives without prior agency approval.

Appropriations

Agency-wide - Department of Health and Human Services, National Institutes of Health
Agency-wide - National Science Foundation

Appropriations Committee Issues

The recommendations for needed changes to provide better accountability procedures in NSF and NIH research grant systems should strengthen the peer review process through requirements to assess progress and results for prior and ongoing research projects. These changes, if implemented, would reduce the waste associated with awarding funds for research that is not of the highest order of merit relative to other proposers.

DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF MANAGEMENT AND BUDGET
VETERANS ADMINISTRATION

Legislation Needed To Encourage Better Use of Federal Medical Resources and Remove Obstacles to Interagency Sharing

(HRD-78-54, 6-14-78)

Budget Function: Health: Health Care Services (0551)
Legislative Authority: Heart Disease, Cancer, and Stroke Amendments of 1965 (42 U.S.C. 299). Comprehensive Health Planning and Public Health Service Amendments of 1966 (42 U.S.C. 246). National Health Planning and Resources Development Act of 1974 (P.L. 93-641; 42 U.S.C. 300). Economy Act (31 U.S.C. 686). 38 U.S.C. 5003. 38 U.S.C. 5053. 42 U.S.C. 254a. 10 U.S.C. 2301. 10 U.S.C. 1079. 10 U.S.C. 1074. 38 U.S.C. 213. 38 U.S.C. 628. 38 U.S.C. 613. H.R. Conf. Rep. 94-1314. Army Regulation 40-3. OMB Circular A-95.

Concern has been expressed about the increasing costs of medical care in the Nation. The Department of Defense (DOD), the Veterans Administration (VA), and the Department of Health, Education, and Welfare (HEW) have the major responsibility for providing health care directly to beneficiaries. Several laws have been enacted to encourage regional cooperation in health care.

Findings/Conclusions: Federal agencies' participation in regional health planning groups has been, for the most part, only advisory. In fiscal year 1977, the responsible agencies spent over $6 billion to provide medical care to Federal beneficiaries and over $700 million for care in the non-Federal sector. Increased interagency sharing is being planned, and an interagency Federal Health Resources Sharing Committee has been established. However, there are obstacles to interagency sharing such as the absence of a specific legislative mandate or guidance for this purpose, restrictive regulations and policies, and inconsistent methods for reimbursing agencies for services provided to beneficiaries of other agencies.

Recommendations: The Secretaries of Defense and HEW and the Administrator of VA should direct the committee to seek solutions to obstacles within agencies which impede sharing, and report annually to congressional appropriations committees on progress. The Director, Office of Management and Budget (OMB) should establish a management group to work with agencies to better coordinate the development of an effective Federal sharing program. Congress should enact legislation to establish an expanded and cost-effective interagency sharing program. The legislation should establish a policy that directs interagency sharing, authorize Federal direct health care providers to accept all categories of beneficiaries on a referral basis when advantageous, eliminate restrictions on medical services which can be shared, authorize sharing arrangements by Federal field hospital managers, authorize expansion of services for cost effectiveness, establish a policy requiring fullest use of nearby Federal medical resources, authorize a method of reimbursement for Federal hospitals in which revenues would offset expenses, and assign to OMB responsibilities for coordinating interagency sharing and reporting to Congress.

Agency Comments/Action

DOD, VA, and HEW generally agreed with the conclusions and recommendations, expressing their support for the concept of increased sharing of Federal medical resources. They cited several actions that have already been taken toward this objective, including the establishment of the Federal Health Resources Sharing Committee. OMB agreed that interagency sharing should be improved, but did not agree with some of the recommendations concerning its role in increasing interagency sharing. OMB strongly disagreed with the proposed legislative mandate and the extent to which the legislation would thrust OMB into the direct management of agency health programs. None of the administrative obstacles identified in the report has been resolved. However, the major obstacle to interagency sharing, the issue of inconsistent and unequal methods for reimbursing agencies for services rendered to other agencies' beneficiaries, was considered by the Federal Health Resources Sharing Committee. No resolution of this matter has been achieved. OMB has not established a management group to work with DOD, HEW, and VA to coordinate the development of an effective interagency sharing program. Legislation was introduced in the second session of the 96th Congress to establish an effective medical resource sharing program. This legislation focuses primarily on the operations of the DOD and VA direct health care programs.

Appropriations

Medical care - Veterans Administration
Operation and maintenance - Army, Navy, Air Force
Military construction - Army, Navy, Air Force
Military personnel - Army, Navy, Air Force

Appropriations Committee Issues

Eliminating legislative and administrative obstacles and implementing a structured Federal interagency sharing program would be advantageous to both the Federal Government and its health care beneficiaries.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
DEPARTMENT OF TRANSPORTATION
ENVIRONMENTAL PROTECTION AGENCY
OFFICE OF MANAGEMENT AND BUDGET

Agencies Should Disclose Consultant's Roles in Preparing Congressionally Mandated Reports (FPCD-80-76, 8-19-80)

Budget Function: General Government: Executive Direction and Management (0802)
Legislative Authority: Clean Air Act Amendments of 1970 (P.L. 91-604). Water Pollution Control Act Amendments of 1972 (Federal) (P.L. 92-500). OMB Bull. 78-11. OMB Circular A-120.

In a study of seven agencies, GAO found that outside consulting services were used to meet over 40 percent of the agencies' congressionally mandated reporting requirements. Costs for consulting services represented about 66 percent of the total costs incurred in preparing the reports. Agencies generally based their justification for using consulting services on (1) the lack of in-house expertise, and (2) limited in-house resources and related time constraints. Two agencies used consulting services on a continuing basis to help prepare recurring reports. This action appears contrary to policy prescribed by the Office of Management and Budget (OMB). Most of the reports GAO reviewed did not adequately disclose consultants' assistance. In two earlier reports on consulting services, GAO found that agencies were having considerable difficulty in using the OMB definition of consulting services. In some cases officials lacked an awareness of the definition; in others, they adopted a more narrow definition.

Findings/Conclusions: The use of consultants in preparing congressionally mandated reports is justified in instances calling for unique skills or expertise required on a temporary basis. However, the Environmental Protection Agency (EPA) and the Department of Housing and Urban Development (HUD) repeatedly use consultants in responding to recurring requirements, which seems improper. Action is needed to assure that EPA and HUD officials adhere to the OMB definition of consulting services and follow the requirements prescribed by OMB. Consultants' roles should be completely disclosed in reports mandated by the Congress because these reports have the potential to influence the congressional oversight process and future direction of Government programs.

Recommendations: The Administrator of EPA and the Secretary of HUD should develop in-house capabilities, when economically feasible, to respond to long-term recurring congressional reporting requirements; and disseminate information to program and procurement officials emphasizing the basic policy and definition of consulting services in OMB Circular A-120 and the importance of complying with its provisions. The Director of OMB should revise Circular A-120 to require Federal agencies to fully disclose consulting services used in preparing congressionally mandated reports, briefly describing tasks performed and assessing their significance in completing the final product. GAO did not obtain agency comments on this report.

Appropriations

Salaries and expenses - Office of Personnel Management
Various appropriations for civil agencies

DEPARTMENT OF JUSTICE
DEPARTMENT OF LABOR
Office of Federal Contract Compliance Programs
EQUAL EMPLOYMENT OPPORTUNITY COMMISSION
OFFICE OF MANAGEMENT AND BUDGET

Further Improvements Needed in EEOC Enforcement Activities (HRD-81-29, 4-9-81)

Budget Function: Nondiscrimination and Equal Opportunity Programs (1006)
Legislative Authority: Civil Rights Act of 1964 (42 U.S.C. 2000e). Rehabilitation Act of 1973 (29 U.S.C. 791). Fair Labor Standards Act Amendments of 1974 (29 U.S.C. 633a). Equal Pay Act of 1963 (29 U.S.C. 206(d)). Age Discrimination in Employment Act of 1967 (29 U.S.C. 621 et seq.). Speedy Trial Act of 1974 (P.L. 93-619). Consumer Product Safety Act (15 U.S.C. 2076). Civil Service Reform Act of 1978.

The Equal Employment Opportunity Commission (EEOC) enforces title VII of the Civil Rights Act which prohibits discrimination in employment on the basis of race, color, religion, sex, or national origin. The President's 1978 Reorganization Plan increased the authority and responsibility of EEOC and made it the principal agency for enforcing Federal equal employment opportunity requirements. In 1976, GAO reported that EEOC management problems were thwarting its enforcement activities.

Findings/Conclusions: Since the previous GAO report, EEOC has made many changes to correct its problems in handling individual charges of employment discrimination and in developing and investigating self-initiated charges. However, many of these improvements represent only the potential for success because they are still relatively new and in their implementation stages. Additional matters need to be considered to help ensure that EEOC reforms fulfill their potential, such as: (1) not settling charges that lack reasonable cause under the rapid charge process; (2) authorizing EEOC to sue State and local governments under title VII; and (3) improving the collection of employment data from private employers and aggressively monitoring conciliation agreements and consent decrees.

Recommendations: Congress should amend title VII of the Civil Rights Act of 1964 to provide that EEOC may initiate litigation on a charge against a State or local government if the Department of Justice decides not to sue within a specified time. Suggested legislative language for such an amendment is in appendix V. The Acting Chairman of EEOC should expedite revising the EEO-1 report to provide improved data including employee wage and salary data. The Director of the Office of Management and Budget should advise the President that the contract compliance function under Executive Order 11246 should be transferred from the Office of Federal Contract Compliance Programs to EEOC. The Acting Chairman of EEOC should direct the Executive Director to use alternatives to the present contracting procedures, such as contracting on a nonreimbursable basis. The Acting Chairman of EEOC should direct the Executive Director to consider revising the criteria for contracting with State and local fair employment practices agencies to include agencies presently excluded. The Acting Chairman of EEOC should direct the General Counsel to file suits more timely and adopt a standard that suits should be filed within a certain time, such as 90 days after a decision is made to litigate. The Acting Chairman of EEOC should emphasize the importance of compliance monitoring and establish procedures to ensure that monitoring is performed promptly and that onsite visits are made to verify reports, as appropriate. The Acting Chairman of EEOC should direct the Executive Director to discontinue negotiating settlements on charges lacking reasonable cause and to a close them with a no-cause decision or advise charging parties to withdraw them.

Agency Comments/Action

EEOC agreed with the report and has taken action on or is developing plans to respond to all of the recommendations.

Appropriations

Enforcement activities - Equal Employment Opportunity Commission, Office of Field Services and General Counsel

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF JUSTICE
DEPARTMENT OF STATE
DEPARTMENT OF THE TREASURY

Gains Made in Controlling Illegal Drugs, Yet the Drug Trade Flourishes
(GGD-80-4, 10-25-79)

Budget Function: Administration of Justice: Federal Law Enforcement Activities (0751)
Legislative Authority: Drug Abuse Office and Treatment Act of 1972 (P.L. 92-255). Comprehensive Drug Abuse Prevention and Control Act (21 U.S.C. 812). Tax Reform Act of 1976. Bank Secrecy Act of 1970. Bail Reform Act of 1966 (18 U.S.C. 3146 et seq.). P.L. 94-237. H.R. 2538 (96th Cong.). 21 U.S.C. 841(b).

Drug abuse and trafficking still flourish despite several decades of efforts to overcome the problem. The country's $5.5 billion drug abuse program during the past decade has dealt with both demand reduction and supply reduction. A continuing trend of great concern is the levels of drug use and abuse among young people in the United States. Drugs were the seventh most common cause of death for Americans aged 10 to 19, and ranked fourth for the 20-to-24 age group in 1976. These age categories represented one-fourth of all drug-related deaths during 1976. Although at present there exists a shortage of heroin in the United States, this accomplishment may be temporary. There is concern that as Mexican heroin availability declines, heroin from Southeast Asia and the Middle East will fill the gap. Some also fear that use of dangerous synthetic drugs will continue to increase as heroin users find that drug difficult to obtain.

Findings/Conclusions: The enormous supply of and demand for drugs have created a multibillion dollar worldwide business involving millions of Americans. The social, economic, and political realities of drug-growing countries make it difficult to prevent cultivation of illicit crops and stop trafficking at the source. Suppression efforts have been hindered by longstanding and socially accepted traditions of smuggling and corruption. In the United States, the enormous profits of drug trafficking attract an ample number of entrepreneurs who see opportunities that far outweigh those offered by legitimate businesses. It is easy to enter and distribute drugs in the United States. It has been estimated that law enforcement agencies seize only 5 to 10 percent of all illicit drugs available. Actions needed to fully support Federal drug strategy implementation have not materialized. Differing views among Government agencies, as well as the public, make it difficult to attain the necessary legislative, executive, and judicial actions to achieve an integrated and coordinated approach in efforts to reduce the drug supply.

Recommendations: The Secretary of State, with the support of Congress, should promote a world conference and the formation of a consortium of victim countries that would develop a plan of action to fight the global drug problem in a unified way. The Secretary of State should require the Assistant Secretary for Narcotics Matters to prepare realistic country narcotics action plans detailing short and long-term goals, the means of achieving these goals, and the methods for reviewing progress. Because narcotics production and trafficking often encompass several countries, as in the Golden Triangle, the Assistant Secretary should also be instructed to prepare similar plans on a regional basis. The Attorney General should strengthen the prosecution of major drug traffickers through the increased commitment and continuity of attorney resources. The following alternatives may be used to achieve this purpose: increasing Department of Justice control over the activities of the Controlled Substances Units, establishing independent drug prosecution units similar to organized crime strike forces, or implementing uniform prosecutive priorities among the various Federal judicial districts to assure consistent commitment to high-level drug prosecutions. The Attorney General should direct the Administrator of the Drug Enforcement Administration (DEA) to improve investigative capability against drug traffickers' financial resources by training DEA agents and hiring financial specialists to assist in investigations. The Attorney General should use the expertise of the Federal Bureau of Investigation in investigating the financial aspects of drug trafficking and organized crime. The Secretary of the Treasury should speed the processing and dissemination of Bank Secrecy Act reports. In its assessment of sentencing disparities in the Federal criminal justice system, the Judicial Conference should establish a reporting and review mechanism to collect sentencing data and to periodically study the adequacy of sentencing decisions, and should request from Congress any legislative changes needed to improve the sentencing process. The Attorney General, with assistance from DEA, should determine the appropriate division of responsibility between Federal and State and local drug enforcement agencies, and then develop a policy concerning the role of DEA in cooperation with State and local drug enforcement efforts. Congress should enact legislation which would make it illegal for any person on a U.S. vessel or on a vessel subject to the jurisdiction of the United States, or for a U.S. citizen on board any vessel, to illegally possess or transfer on the high seas a controlled substance. Congress should expand the capacity of the Federal court system to better immobilize drug traffickers by passing legislation to expand the magistrates' jurisdiction to encompass most misdemeanors.

Agency Comments/Action

The Department of State agreed with the recommendation that it promote a world conference and the formation of a consortium to develop a plan of action to attack the world wide drug problem. State is currently working with the North Atlantic Treaty Organization and the Organization for Economic Cooperation and Development to identify means of operating together to target development assistance for narcotics producing countries and the need to take measures to reduce the demand for drugs in developed countries. It is also working within the United Nations' bodies to achieve these same goals. The Department of State also said it has taken steps to institutionalize narcotics issues in the overall foreign policy formulation process. This process includes the establishment of goals and objectives for specific countries, as appropriate, and also the preparation of regional narcotics strategy papers. The Department of Justice made comments and instituted actions in response to several of the recommendations. It said it was committed to strong prosecution of major drug traffickers and is taking several steps to increase the commitment and continuity of attorney resources. The Department does not believe it should increase headquarters control over prosecutional resources in the U.S. Attorney's Offices. In the Department's opinion, the individual U.S. Attorney's Offices are better able to respond to the varying criminal justice problems in their respective jurisdictions. It noted that DEA will not realize any growth in its overall position strength and therefore is unable to hire financial specialists. DEA has instituted a basic introductory financial investigative course to familiarize its agents with financial information. DEA said it will also rely on other law enforcement agencies (FBI, IRS, Customs) to focus on traffickers' assets by utilizing statutes under their respective authorities. The Department of Justice agreed that financial specialists are needed and is studying a number of alternatives to effectively address this problem. The Department of Justice noted, in response to the recommendation to use the FBI on aspects of drug investigations, that the FBI and DEA are continuing to work together on several narcotics investigations. The Department of Justice said it supports legislation to establish sentencing guidelines which would help remedy some of the wide disparities in the sentencing of narcotics offenders. Finally, the Department of Justice noted that it is continuing to encourage cooperation among Federal, State, and local law enforcement agencies. Specifically, it has encouraged U.S. attorneys to establish and develop Federal-State law enforcement committees in their jurisdictions. The Department of the Treasury took action to establish an analysis unit to act as a focal point for the computerization, analysis, and dissemination of data obtained from all the reports required to be filed in compliance with the Bank Secrecy Act. DEA has been training agents in financial investigations and FBI/DEA merger talks are currently in process.

Appropriations

General legal activities - Department of Justice, Drug Enforcement Administration

Appropriations Committee Issues

The Committees should determine if DEA needs additional personnel resources to focus on the financial aspects of narcotics trafficking.

DEPARTMENT OF JUSTICE
DEPARTMENT OF THE TREASURY

Potential Problem With Federal Tax System Postemployment Conflicts of Interest Can Be Prevented (GGD-81-87, 9-15-81)

Budget Function: General Government: Tax Administration (0807)
Legislative Authority: Ethics in Government Act of 1978 (18 U.S.C. 207).

GAO evaluated the administration of the post-Federal employment restrictions by the Departments of Justice and the Treasury, including the Internal Revenue Service (IRS), to determine if their controls were adequate to prevent, identify, and remedy conflicts of interest in the Federal tax system. The positions covered in the review were selected because they involved responsibilities conducive to postemployment conflicts of interest and were most likely to be filled by persons who did not intend to make public service a career.

Findings/Conclusions: Results of a questionnaire sent by GAO to former employees indicated that: (1) 86 percent of the respondents were involved in Federal tax matters; (2) 44 percent of the respondents noted that they had not been informed of postemployment restrictions; and (3) an additional 29 former employees did not receive complete information on the restrictions from their former agencies. Justice, Treasury, and IRS do not know how many former employees are working in private tax practice. They do not monitor their former employees' subsequent involvement in Federal tax matters either to detect violations of the restrictions or to determine if postemployment problems exist. The number of former employees working in private sector tax jobs and facing conflict-of-interest situations is great enough to require that compliance with the postemployment restrictions be monitored to ensure that violations are detected. Once they are detected, violators must be disciplined in accordance with the applicable statute and regulations. Although Treasury has a system for disciplining violators, few suspected violations have been processed through the system. Final regulations have been issued which require that agencies: (1) establish education and counseling programs to cover postemployment matters, (2) take prompt and effective administrative actions to remedy actual or potential violations, and (3) periodically evaluate the adequacy and effectiveness of their postemployment enforcement systems.

Recommendations: The Attorney General and the Secretary of the Treasury should require separating employees to certify, in the presence of their supervisors, that they have read, understand, and will comply with the postemployment statute, the regulations governing practice before IRS, and the legal profession's code pertaining to former Federal employees. The Secretary of the Treasury should direct the Commissioner of Internal Revenue to emphasize the postemployment restrictions at seminars during which employee conduct is discussed. The Attorney General and the Secretary of the Treasury should determine if postemployment conflicts of interest are a problem in the tax system by monitoring the postemployment activities of a sample of former employees. The Secretary of the Treasury should direct the Commissioner of Internal Revenue to revise the power of attorney form used at IRS to state that the person executing the form is aware of the postemployment restrictions applicable to former tax administration employees and their associates. The Secretary of the Treasury should give the Director of Practice responsibility for ensuring that postemployment restrictions are not violated in identified confict-of-interest situations. The Secretary of the Treasury should direct the Inspector General, the IRS Chief Counsel, and the Commissioner of Internal Revenue to establish procedures for coordinating their postemployment responsibilities with the Director of Practice. The Attorney General and Secretary of the Treasury should determine and establish the level of enforcement needed to reasonably ensure that conflicts of interest are resolved in compliance with the postemployment restrictions and that violations of the restrictions are detected. The Secretary of the Treasury should direct the Inspector General, the IRS Chief Counsel and the Commissioner of Internal Revenue to inform him of the conflict-of-interest situations and potential violations of the postemployment restrictions that come to their attention. The Secretary of the Treasury should direct the Director of Practice to review isolation statements filed with his office and disapprove those which do not adhere to the minimum isolation procedures to be set forth or which would involve conditions for which isolation would not eliminate the appearance of impropriety. The Attorney General and the Secretary of the Treasury should establish uniform regulations to enforce the postemployment restrictions that apply to associates of former employees which set forth the minimum procedures that former employees' associates must follow to isolate former employees from participation in tax matters. The Attorney General and the Secretary of the Treasury should establish uniform regulations to enforce postemployment restrictions that apply to the associates of former employees which define the situations in which the disqualification of the former employees' associates should stand because isolation of the former employee would not remove the appearance of impropriety. The Attorney General and Secretary of the Treasury should develop a postemployment manual which: (1) states the postemployment restrictions that apply to former Federal employees who practice in the tax system, the purpose of the restrictions, the former employee's responsibilities for complying with the restrictions, and the penalties for violating the restrictions; (2) explains how the restrictions apply to the functions performed by tax administration employees;

and (3) instructs former employees to direct questions about the restrictions and their applicability to their agencies' ethics counselors.

Agency Comments/Action

The Departments of Justice and the Treasury generally agreed with GAO that separating employees should be given more postemployment information and are making, or plan to make, improvements to their ethics programs. Both Departments agreed that a postemployment manual is needed. Justice will consider a requirement that separating employees acknowledge receipt of postemployment information. Treasury did not indicate if it would impose a similar requirement or emphasize the restrictions at conduct seminars but indicated that it will revise the power of attorney form to draw attention to the restrictions. Justice and Treasury disagreed with GAO that postemployment conflicts of interest are a potential problem and will not monitor former employees' compliance with the restrictions on a sample basis to determine if restriction violations are occurring. Treasury did agree to implement the recommendations for improving postemployment enforcement within the Department. Justice and Treasury also agreed to develop uniform regulations for applying the restrictions to former employees' associates.

Appropriations

General administration - Department of Justice
Salaries and expenses - Department of Justice
Salaries and expenses - Department of the Treasury, Office of the Secretary
Salaries and expenses - Department of the Treasury, Internal Revenue Service

DEPARTMENT OF JUSTICE
DEPARTMENT OF THE TREASURY
Internal Revenue Service

Streamlining Legal Review of Criminal Tax Cases Would Strengthen Enforcement of Federal Tax Laws (GGD-81-25, 4-29-81)

Budget Function: General Government: Tax Administration (0807)

The efficiency and effectiveness of the Federal Government's tax enforcement efforts have been hampered by a time-consuming and duplicative legal review process for criminal tax cases. About 75 percent of the investigations conducted by the Internal Revenue Service (IRS) do not lead to prosecutive recommendations or convictions.

Findings/Conclusions: Readily available legal assistance during investigations could reduce staff-day expenditures, thus improving IRS productivity in terms of the quality and timeliness of its investigations. However, IRS routinely does not obtain the assistance until after investigations are completed. Many criminal tax cases are declined for prosecution by IRS or Justice Department attorneys who determine that such cases do not meet certain legal standards. Often, an attorney could have detected legal deficiencies during the investigative process. IRS established a means whereby special agents can seek such assistance by prereferring a case to IRS attorneys at any point during an investigation. This prereferral mechanism has not been used in many cases and has not fully met IRS needs. Although the legal review process clearly needs restructuring, the best means for doing so is not clear. GAO presented various alternatives for revising the process, all of which call for partial or complete elimination of one of the three current review levels.

Recommendations: Congress should ensure that the Treasury and Justice Departments develop a streamlined legal review process for criminal tax cases and that any revised system realizes potential cost savings while safeguarding taxpayers' legal rights. The Attorney General and the Commissioner of Internal Revenue should jointly develop a streamlined legal review process for criminal tax cases.

Agency Comments/Action

While the two agencies have agreed with GAO's findings and conclusions, they have not been able to agree as yet on a method for streamlining the legal review process.

Appropriations

Tax fraud investigations - Department of the Treasury, Internal Revenue Service
Criminal tax - Department of Justice and U.S. Attorneys

Appropriations Committee Issues

GAO recommended that the two agencies streamline the legal review system to eliminate duplicative reviews. GAO recommended that Congress ensure that the most cost-effective approach. Streamlining the system will yield cost savings.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF JUSTICE
DEPARTMENT OF THE TREASURY
FEDERAL DEPOSIT INSURANCE CORPORATION
FEDERAL RESERVE SYSTEM

Bank Secrecy Act Reporting Requirements Have Not Yet Met Expectations, Suggesting Need for Amendment (GGD-81-80, 7-23-81)

Budget Function: General Government: Executive Direction and Management (0802)
Legislative Authority: Bank Secrecy Act of 1970 (P.L. 91-508). 31 C.F.R. 103.

The implementation of the Bank Secrecy Act's reporting requirements and their usefulness to law enforcement efforts were reviewed. Congress envisioned that the reporting requirements of the Act would be useful for tracking the financial resources associated with criminal activities and the profits gained from these illegal activities. However, GAO found that the reports required under the Act are not widely used and their potential utility as an investigative tool is unknown. The Department of the Treasury, responsible for implementing the Act, has initiated actions along with other agencies to correct many of the problems hindering the use of the reports. However, GAO believes that further improvements are needed if the Act is to be effectively implemented. GAO also believes that it is time for an overall assessment of the costs and benefits of the Act's reporting requirements to determine their usefulness.

Findings/Conclusions: GAO found that, after 10 years, the Act has not been used sufficiently to demonstrate whether the demands it places on the private sector, especially financial institutions, are commensurate with the benefits obtained by the Federal Government. GAO believes that the next 2 to 3 years will be crucial to demonstrating the cost effectiveness of the Act's reporting requirements. Recent actions taken by the Treasury Department and the regulatory agencies to improve implementation and compliance, coupled with a greater emphasis on financial investigations by law enforcement agencies, suggest that the Act's requirements may now be receiving the attention Congress envisioned. However, as law enforcement agencies focus more on detecting the financial resources of organized criminals and, as more attention is given to the effects of Federal regulatory activities on the national economy, Treasury will have to demonstrate better that the usefulness of the Act's reports justifies the costs. If this cannot be demonstrated, then GAO believes that the Act's reporting requirements should be repealed.

Recommendations: Congress should amend the Bank Secrecy Act to require a reauthorization of the Act's reporting requirements in 1984. On the basis of current progress, GAO believes that Treasury should be able to provide sufficient data before then for Congress to make a decision on the Act's continuation, modification, or elimination. The Secretary of the Treasury should initiate, and submit to Congress within 2 years, a comprehensive assessment of the Act's reporting requirements. Such an assessment should include: (1) the administrative and respondent costs of the reporting requirements; (2) the report's value to criminal, tax, and regulatory investigations; and (3) recommendations for legislative or program changes. The Secretary of the Treasury, through the Assistant Secretary for Enforcement and Operations, should allocate, within the Treasury, the staff necessary to effectively implement, monitor, and evaluate the Act's reporting requirements and assure that Customs' commitments to increase staff in its Reports Analysis Branch are fulfilled. The Secretary of the Treasury, through the Assistant Secretary for Enforcement and Operations, should revise the Department's Act data dissemination guidelines to provide law enforcement investigators easier access to Act report data and regulatory examiners' data to verify financial institutions' report filings. The Secretary of the Treasury, through the Assistant Secretary for Enforcement and Operations, should work with the financial institution regulatory agencies in: (1) developing a workable compliance enforcement policy specifying penalties to be applied for non-compliance; (2) establishing effective compliance monitoring procedures that provide for each regulatory agency to extensively test some portion, perhaps as much as 10 percent, depending on resource availability, of the institutions examined each year; and (3) designating a single supervisory examiner in each district or region to review Act examinations. The Secretary of the Treasury, through the Assistant Secretary for Enforcement and Operations, should develop, in cooperation with Customs' Reports Analysis Branch and the financial institutions' regulatory agencies, the capability to identify financial institutions which may not be complying, so that the regulatory agencies can most effectively focus their limited examination resources. The Secretary of the Treasury, through the Assistant Secretary for Enforcement and Operations, on a test basis, should obtain and distribute the names of retail businesses exempted from filing currency transaction reports to determine if such data are useful to law enforcement agencies. The Secretary of the Treasury, through the Assistant Secretary for Enforcement and Operations, should establish a system to obtain the data necessary to make a comprehensive assessment of the costs and benefits of the Act's reporting requirements.

Agency Comments/Action

The Department of the Treasury and various financial regulatory agencies and law enforcement agencies agreed with the GAO conclusions that the effectiveness of the Bank Secrecy Act had been hampered by many problems. They generally agreed that more needed to be done. Treasury is either taking or plans to take action to: (1) secure additional staff to coordinate, monitor, and assist in the implementation of the Bank Secrecy Act; (2) review and appropriately revise the procedures for disseminating the Act's report information; (3) make certain that investigative agents are aware of the availability of the Act's report information; (4) obtain the data necessary to comprehensively asses the costs and benefits of the Act's reporting requirements; and (5) develop, together with financial regulatory agencies, a workable compliance enforcement policy and capability for identifying non-compliant financial institutions. Treasury also plans to provide Congress with a comprehensive assessment of the costs and benefits of the Bank Secrecy Act's reporting requirements. Treasury did not agree to randomly disburse to law enforcement agencies, even on a test basis, Bank Secrecy Act exemption lists. It preferred to selectively evaluate the use of such lists where an investigative interest exists. While Treasury and the financial regulatory agencies revised the Act's implementing regulations and examination procedures, they generally did not agree, for cost reasons, that a random sample of financial institutions be examined for compliance annually and that specialized review examiners be designated in each regional office to review examination results. Also, Treasury did not agree that the Act's reporting requirements have not proven useful and, therefore, is against amending the Act to require reauthorization of its reporting requirements. The Justice Department agreed to take action to promote the use of Bank Secrecy Act report information in criminal investigations.

Appropriations

Enforcement - Department of the Treasury, U.S. Customs Service
Enforcement - Department of the Treasury, Internal Revenue Service
Criminal investigation - Department of Justice, Federal Bureau of Investigation
Criminal investigation - Department of Justice, Drug Enforcement Administration
Criminal investigation - Department of Justice, Immigration and Naturalization Service
Criminal investigation - Department of the Treasury, Bureau of Alcohol, Tobacco, and Firearms
Criminal investigation - Department of the Treasury, U.S. Customs Service
Criminal investigation - Department of the Treasury, Internal Revenue Service
Criminal investigation - Securities and Exchange Commission
Financial regulatory - Department of the Treasury, Internal Revenue Service
Financial regulatory - Office of the Comptroller of the Currency
Financial regulatory - Federal Deposit Insurance Corporation
Financial regulatory - Federal Home Loan Bank Board
Financial regulatory - National Credit Union Administration
Financial regulatory - Securities and Exchange Commission

Appropriations Committee Issues

The Committees should assure that Treasury provides Congress with the administrative and respondent costs of the reporting requirements and the benefits of the report information to Federal investigators. The Committees should then determine whether: (1) the benefits derived from the Bank Secrecy act reporting requirements justify the costs of implementing them; and (2) the responsible agencies have sufficient resources to effectively implement the requirements, if they are deemed to be useful.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF JUSTICE
JUDICIAL CONFERENCE OF THE UNITED STATES

More Guidance and Supervision Needed Over Federal Grand Jury Proceedings (GGD-81-18, 10-16-80)

Budget Function: Administration of Justice: Federal Litigative and Judicial Activities (0752)
Legislative Authority: Jury System Improvements Act of 1978 (28 U.S.C. 1863 et seq.). Jencks Act (Witnesses' Statements and Reports) (18 U.S.C. 3500). Gannet Co. v. De Pasquale County Judge of Seneca County, New York, 47 U.S.L.W. 4902 (1979). Richmond Newspapers, Inc. v. Virginia, 48 U.S.L.W. 5008 (1980). Levine v. United States, 362 U.S. 611 (1960). Fed. R. Crim. P. 6(e). U.S. Const. amend. V. U.S. Const. amend. VI.

GAO reviewed the procedural and secrecy rules related to grand jury matters and the supervision of grand jury proceedings to determine how well the criminal justice system was accomplishing the purposes of grand jury secrecy and to identify areas needing improvement. By improving the security of grand jury proceedings, the effectiveness of one of the Government's more important tools to combat organized crime, drug trafficking, and white-collar crime will be improved.

Findings/Conclusions: Information about grand jury proceedings has been disclosed with the result that: either witnesses had their identities revealed before any indictments were returned; reputations of persons never indicted were damaged; persons under investigations were identified before indictment; or grand jury investigations were dropped or delayed. These disclosures are often allowable, or even required, under existing laws and procedures. District courts and prosecutors should receive more definitive guidance and direction on what specific information and documents must be kept secret and on procedures for secrecy protection. Transcripts of grand jury proceedings and the deliberations and vote of the grand jury cannot be disclosed. However, opinions vary as to whether the following should be kept secret: court proceedings ancillary to grand jury proceedings that deal with and discuss ongoing grand jury activities; grand jury subpoenas; evidence developed independently of, but later introduced to, the grand jury; copies of documentary materials presented to the grand jury; internal Government memorandums and other documents that tend to reveal what transpires before the grand jury; and grand juror identities while the grand jury is sitting. The Federal judiciary does not have a consistent program to secure grand jury materials and information to: limit access to, store, and dispose of grand jury information; identify grand jurors who have connections with persons under investigation; insure that grand jury rooms are secure; and audit existing security procedures and practices.

Recommendations: The Attorney General should improve the security practices of U.S. attorneys, organized crime strike forces, U.S. marshals, and court reporter personnel by developing and issuing interim security guidelines until the Federal judiciary establishes official security requirements. The Judicial Conference of the United States should (1) review Jury System Improvement plans so that the courts and the Department of Justice are in a position to react appropriately whenever situations calling for maintaining the confidentiality of grand juror names arises; (2) establish guidelines setting forth the minimum physical security requirements needed to protect the secrecy of grand jury materials; (3) require each custodian of grand jury materials, including court appointed reporters, to establish procedures consistent with security guidelines and document them in a security plan to be approved by the appropriate district court; (4) provide for periodic audits by the Administrative Office of the U.S. Courts of all custodians of grand jury materials to determine whether they are complying with approved security plans and whether security procedures need to be improved; and (6) evaluate the physical security around grand jury rooms and develop an appropriate plan to upgrade and modify deficient facilities to insure that the secrecy of grand jury proceedings will not be compromised. The Judicial Conference of the United States should develop a proposed amendment to rule 6(e) of the Federal Rules of Criminal Procedure which more clearly defines what must be kept secret during the duration of grand jury proceedings, including specific guidance for handling (1) pre-indictment proceedings, (2) grand jury subpoenas, (3) evidence developed independently of a grand jury, but later introduced to it, (4) duplicates and copies of original documents presented to a grand jury, and (5) internal Government memorandums and other documents that tend to disclose what transpires before a grand jury.

Agency Comments/Action

The Federal judiciary, the chief judges in six of the seven judicial districts visited, and the Department of Justice commented on the report. The Department of Justice said that, on the whole, the report contributed to the improvement of grand jury procedures, but the Department believed that the report distorted the problems of grand jury secrecy. The Judicial Conference communicated recommendations made by its Jury Operations Committee on the GAO report to all district court judges. If the district courts follow the Jury Committee's suggestions, they would implement some of the GAO recommendations. Further action on the GAO recommendations is pending review by another Judicial Conference committee. The Department of Justice is taking steps to improve security on the part of Department personnel and contractors.

Appropriations

Salaries and expenses - Department of Justice

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF JUSTICE
OFFICE OF MANAGEMENT AND BUDGET
OFFICE OF PERSONNEL MANAGEMENT

Proposals To Resolve Longstanding Problems in Investigations of Federal Employees (FPCD-77-64, 12-16-77)

Budget Function: General Government; General Personnel Management (0805)
Legislative Authority: Civil Service Act of 1883. P.L. 81-733. Executive Order 10450. Executive Order 9835.

Authority to conduct investigations of Federal personnel is based on Executive Order 10450 which united previously separate suitability, security, and loyalty programs under the framework of a security program. The Civil Service Commission is primarily responsible for conducting such investigations.

Findings/Conclusions: Since 1953, new laws and court decisions have imposed constraints in the investigation process which have had the effect of reducing the authority of employing agencies to remove employees under the provisions of the Executive Order and limiting the Commission's ability to obtain information bearing on their suitability for employment. Federal regulations provide criteria for agency classification of positions according to the sensitivity of their duties which indicates to the Commission what type of investigation to conduct. Criteria for these determinations are not clear, and many positions are classified as nonsensitive although they involve a high degree of public trust. The national agency check and inquiry as now conducted are inadequate for employees in positions with sensitive duties, while the extent of investigation is excessive for the majority of positions. Deficiencies noted in the Commission's information system were: the information gathering system has no overview on how the agencies use the information; it disseminates information developed during investigations even though much of the information may have little relationship to disloyalty; and security files maintained on supposedly subversive individuals are not specifically authorized.

Recommendations: Congress should consolidate into one law the authority to investigate and judge the suitability of Federal employees including their potential to impair national security. The Civil Service Commission should: improve agencies' consistency in classifying positions as to the scope of investigation needed, establish criteria to provide clear instructions on classifying positions based on sensitivity of duties, and assign more people to the review of agency classifications; insure that occupants of sensitive positions are investigated properly by establishing necessary controls and clear criteria; insure that loyalty investigations protect the interests of the Government and the rights of individuals; and insure that investigative information is limited to that which is needed to make suitability, security, and loyalty determinations.

Agency Comments/Action

The Commission agreed with the findings and principles recommended in the report, and some of the actions taken appear adequate. Other proposed actions remained inadequate and will not solve some of the critical issues GAO identified and reported. Congress has not acted on the recommendation to consolidate into one law the authority to investigate. An interagency study group has been established to review the issues and make recommendations for solving the problems identified.

Appropriations

Salaries and expenses - Office of Personnel Management
Operation and maintenance - Department of the Treasury

Appropriations Committee Issues

Costs of personnel investigations could be reduced with improved management of the investigation process.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF LABOR
DEPARTMENT OF TRANSPORTATION
Urban Mass Transportation Administration

Soaring Transit Subsidies Must Be Controlled
(CED-81-28, 2-26-81)

Budget Function: Transportation: Ground Transportation (0401)
Legislative Authority: Mass Transportation Assistance Act of 1974. Surface Transportation Assistance Act of 1978. Urban Mass Transportation Act of 1964. OMB Circular A-102.

The demand for mass transit subsidies is approaching crisis proportions. A study was performed to determine why the demand for transit operating subsidies is growing, what can be done to control subsidy growth, and what improvements are needed in the Federal transit operating assistance program.

Findings/Conclusions: One reason for growing subsidy demands is that rising transit operating costs are not being offset by productivity improvements. Although labor accounts for 70 to 80 percent of operating costs, transit systems have difficulty in using labor efficiently because demand peaks during commuter rush hours. Transit systems are experiencing serious problems in maintaining their bus and railcar fleets. Many systems: (1) are not properly recruiting, training, and promoting their mechanics; (2) do not have adequate preventive maintenance programs; (3) are not properly controlling spare parts inventories; and (4) have restrictive work rules preventing the efficent use of maintenance personnel. The demand for operating subsidies is also growing because transit systems have adopted and maintained unrealistically low fares, even though operating costs are increasing.

Recommendations: Congress should amend the Urban Mass Transportation Assistance Act of 1964 to give Governors the authority to reallocate section 5 surpluses from urbanized areas with populations between 50,000 and 200,000 to other larger urbanized areas within the State that need the funds. Congress should reconsider the 1974 legislative finding that the continued increase in fares is undesirable and adopt a goal for the section 5 program that promotes efficient and equitable transit pricing. The Secretary of Transportation should direct the UMTA Administrator to develop and undertake specific actions to improve transit productivity. The Secretary of Transportation should require the appropriate organizations in their transportation plans to (1) establish local goals for the proportion of short and long term costs that fare revenue should cover; and (2) assess the efficiency and equity of present fares and examine alternative fare structures that might better reflect equity and cost. The Secretary of Transportation should require the UMTA Administrator to issue a fare-policy statement indicating that UMTA desires local areas to give greater consideration to passenger fares as a revenue source and to developing efficient and equitable fare policies. The Secretary of Transportation should require the UMTA Administrator to (1) require that annual Governors' reports be submitted before the Governor allocates the apportionments; and (2) provide guidance to regional offices on their responsibilities for monitoring the allocation and use of apportionments by State Governors to ensure that such resources are being used efficiently. The Secretary of Labor should review the typing workload associated with certifying operating grant application requests subject to the model agreement and either (1) obtain additional typing help or (2) seek alternatives to formal typing such as using form letters with handwritten inserts and notifying UMTA informally after Labor decides to certify a grant rather than waiting for a formal certification letter to be typed. The Secretary of Transportation should direct the UMTA Administrator to give priority to determining the amount of apportionments available to urbanized areas and State Governors and assuring that these apportionments are properly accounted for. The Secretary of Transportation should direct the UMTA Administrator to improve headquarters oversight and supervision of regional office section 5 activities by (1) assuring that adequate program guidance is issued to UMTA regions for all section 5 and related responsibilities; (2) establishing time standards for processing section 5 operating grant applications and obtaining the data needed to monitor regional office adherence to these standards; and (3) providing formal training in administrative procedures for regional staff responsible for section 5 program activities. The Secretary of Transportation should direct the UMTA Administrator to give top priority to determining the agency's needs for automated information systems, initiating appropriate action to fulfill these needs, and assuring that the agency efficiently uses existing automated information systems. The Secretary of Transportation should direct the UMTA Administrator to assure that section 5 grants are promptly closed out and the remaining grant balances are deobligated and either lapsed or reapportioned. The existing backlog of projects eligible for closeout should be processed as quickly as possible to avoid having funds remain idle and lapse unnecessarily. The Secretary of Transportation should direct the UMTA Administrator to develop and issue policy guidelines defining UMTA's role and responsibilities in encouraging transit productivity.

Agency Comments/Action

In general, the Department of Transportation agrees with the GAO report and considers it timely and useful. However, some of the actions GAO recommends amount to additional strings on Federal assistance, adding to the red tape and paperwork imposed rather than reducing Federal involvement. Transportation feels that primary responsibility for improvements in transit operations, in particular productivity and costs, rests with State and local governments and with local transit operators. The UMTA role rests in fostering productivity and efficiency through testing and support of improved methods of operation. With the exception of maintenance, they generally oppose any new requirements or regulations.

Appropriations

Urban formula grants - Department of Transportation
Urban Mass Transportation Fund - Department of Transportation

Appropriations Committee Issues

UMTA can and should do more to help transit systems control costs and increase productivity. Congress should reconsider the 1974 legislative funding that the continued increase in fares is undesirable and adopt a goal for the Federal subsidy program that promotes efficient and equitable transit pricing. Congress should also amend the transit subsidy legislation to give Governors the authority to reallocate Federal operating assistance surpluses from urbanized areas with populations between 50,000 and 200,000 to other larger urbanized areas within the State. UMTA needs to make major improvements in its administration of the Federal operating assistance program.

DEPARTMENT OF LABOR
DEPARTMENT OF TRANSPORTATION
Urban Mass Transportation Administration

Congressional Action Is Needed To Resolve the Northeast Corridor Cost-Sharing Dispute
(CED-81-97, 4-30-81)

Budget Function: Transportation: Ground Transportation (0401)
Legislative Authority: Staggers Rail Act of 1980. Railroad Revitalization and Regulatory Reform Act of 1976. Rail Passenger Service Act of 1970 (45 U.S.C. 562(a)).

Three types of rail service jointly use the Northeast Corridor rail system tracks. These include the intercity passenger trains, regional commuter trains, and freight trains. Since Amtrak acquired the tracks and facilities of the rail system, the users of this system have been unable to agree on how to share joint operating and maintenance costs. GAO was asked by a congressional committee to review the dispute.

Findings/Conclusions: The dispute arose because some operating and maintenance costs cannot be directly attributed to a specific user, and each user wishes to pay as little as possible. Applicable law is vague. Amtrak argues that the Railroad Revitalization and Regulatory Reform Act prohibits it from charging any Corridor user less than a full share of the joint operating and maintenance costs because that would constitute cross subsidization. The commuter authorities argue that they are legally required to pay only the avoidable costs directly attributable to commuter trains. Conrail argues that it should not have to pay more for its freight trains than other railroads charge Conrail for similar services. The difference between Amtrak's position and that of the other interested parties is about $32 million for fiscal year 1979. Since Amtrak took over Corridor ownership, the parties have been operating under interim cost-sharing arrangements providing for interim cash payments and retroactive payments when a final agreement is reached. GAO found no evidence which would clearly favor one of the cost-sharing proposals. On the contrary, all of the parties have presented substantial economic and legal rationales in support of their proposals.

Recommendations: Congress should encourage the parties to negotiate. Congress can do this by directing the Interstate Commerce Commission to settle the dispute unless the disputing parties arrive at a negotiated settlement within a fixed time. Congress should decide in general terms how the various users should share the Corridor's joint operating and maintenance costs. Among the alternatives which Congress can choose from are (1) full allocation of all costs among all users prorated according to use; (2) allocation of long-run variable costs plus a percentage of joint costs to users other than Amtrak, and allocation of the remaining costs to Amtrak; and (3) allocation of long-run variable costs only to users other than Amtrak, and allocation of the remaining costs to Amtrak. This policy decision by Congress is essential, since the ambiguities in the existing statutes make it difficult for the parties to reach agreement on what is legal, equitable, and efficient. Congress can accomplish this by amending the 3R and 4R Acts to specify the Federal cost-sharing policy for the corridor. Such legislation should clarify the meaning of cross subsidization if the term is retained.

Agency Comments/Action

In general, the Department of Transportation agrees with the GAO report and considers it timely and useful. However, some of the actions GAO recommends amount to additional strings on Federal assistance, adding to the red tape and paperwork imposed rather than reducing Federal involvement. Transportation feels that primary responsibility for improvements in transit operations, in particular productivity and costs, rests with State and local governments and with local transit operators. The UMTA role rests in fostering productivity and efficiency through testing and support of improved methods of operation. With the exception of maintenance, UMTA generally opposes any new requirements or regulations.

Appropriations

Urban formula grants - Department of Transportation, Urban Mass Transportation Administration

Appropriations Committee Issues

Issues to be considered include the following: (1) UMTA can and should do more to help transit systems control costs and increase productivity; (2) Congress should reconsider the 1974 legislative finding that the increase in fares is undesirable and adopt a goal for the Federal subsidy program that promotes efficient and equitable transit pricing; (3) Congress should amend the transit subsidy legislation to give Governors the authority to reallocate Federal operating assistance surpluses from urbanized areas with populations between 50,000 and 200,000 to other larger urbanized areas within the State; and (4) UMTA needs to make major improvements in its administration of the Federal operating assistance program.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF LABOR
OFFICE OF MANAGEMENT AND BUDGET
OFFICE OF PERSONNEL MANAGEMENT

Federal Compensation Comparability: Need for Congressional Action (FPCD-78-60, 7-21-78)

Budget Function: Central Personnel Management (0805)
Legislative Authority: Federal Salary Reform Act of 1962, Federal Wage System (P.L. 92-392).

Most Federal employees' pay is governed by the legislated principle of comparability with pay in the private sector. Non-Federal pay rates vary among geographic areas, types of industries, size of establishments, and occupations. Provisions of the Federal pay-setting processes generally prevent the Government from considering such variances. This results in overpayment or underpayment of Federal employees in specific occupations or localities and affects the credibility of the concept of comparability. Changes have been made to the Federal white-collar pay-setting process which have saved about $3.7 billion annually, but congressional action is needed to make other needed changes.

Recommendations: GAO recommended that the annual pay surveys include State and local government employees and both benefits and pay be compared with private sector compensation. For Federal white-collar employees under the general schedule, action is needed to: establish salary schedules that are more in line with labor market characteristics, eliminate cost-of-living allowances paid to employees in nonforeign areas, and develop a method to reduce or compensate for the 6-month time lag between the reference date of comparability data and the date of the pay adjustment. For Federal blue-collar employees under the Federal wage system, action is needed to revise the five-step system for nonsupervisory grades, wage rates that are set based on private sector rates paid in another wage area, and night-shift differentials that are not determined in accordance with prevailing rates.

Agency Comments/Action

Legislation has been introduced which covers most of the GAO recommendations for improving the Federal white and blue-collar pay processes. Congressional action is needed, however, to insure the proper implementation of these changes.

Appropriations

Personnel salaries and expenses - Government-wide

Appropriations Committee Issues

Congressional support is needed to make appropriate changes to the Federal pay setting processes which will resolve shortcomings in these processes as well as provide needed credibility.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF LABOR
OFFICE OF MANAGEMENT AND BUDGET
OFFICE OF PERSONNEL MANAGEMENT

Determining Federal Compensation: Changes Needed To Make the Processes More Equitable and Credible (FPCD-80-17, 11-13-79)

Budget Function: General Government: Executive Direction and Management (0802)
Legislative Authority: Economic Stabilization Act (P.L. 92-210). Federal Pay Comparability Act. H.R. 4477 (96th Cong.). S. 1340 (96th Cong.). 5 U.S.C. 5341.

Federal employees' pay is governed by the comparability principle. This is a concept designed to insure employees and the Nation's other taxpayers that pay is equitable and comparable with pay in the private sector. There are problems with the comparability system, and reform is needed. The roles of the parties involved in the system and the problems that proposed legislation will not correct were discussed.

Findings/Conclusions: Some of those involved in determining comparability for white-collar employees have been concerned about the President's extensive use of his authority to propose alternative plans. Because of this intervention, it was felt that the program has not been permitted to function as Congress intended. By law, the President may propose an alternative plan when the adjustment is not warranted because of a national emergency or because of economic conditions affecting the general welfare. In addition, the law required that comparability be based on levels of work, yet Presidential adjustments have often been uniform for all grades, resulting in overpayment for some levels and underpayment for others. According to various agency and employee organization officials, the blue-collar pay process was easier to understand and has resulted in fewer disagreements. This has been attributed to a more localized approach, joint participation by both labor and management at all levels, the lack of political pressure, and the fact that this system was not affected by pay caps. Several legislative changes to the blue-collar system have been proposed, leading to disputes between agency and union officials. The proposed legislation would increase the President's authority to adjust the comparability amounts and make it more difficult for Congress to override his decision.

Recommendations: Congress should amend the law to further limit the President's use of alternative plans to insure they will be used in situations which are more indicative of national emergency or economic conditions affecting the general welfare.

Agency Comments/Action

A bill, H.R. 7086, was recently introduced which would amend section 5305(c) of title 5, U.S. Code, to provide that (1) the authority of the President to submit any alternative plan for pay comparability adjustments be available only if general wage guidelines or controls are in effect, and (2) the overall percentage of any pay adjustment proposed under any such alternative plan be not less than the pay adjustment generally permitted under the general wage guidelines or controls or, if various pay adjustments are permitted, the median of such adjustments.

Appropriations

Salaries and expenses - Office of Personnel Management

Appropriations Committee Issues

Congressional action is needed in order to ensure that the pay-setting process works as Congress intended.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF LABOR
OFFICE OF PERSONNEL MANAGEMENT

State and Local Government Productivity Improvement: What Is the Federal Role?
(GGD-78-104, 12-6-78)

Budget Function: General Government: Executive Direction and Management (0802)
Legislative Authority: National Productivity and Quality of Working Life Act of 1975. P.L. 94-136. Federal Assistance Paperwork Reduction Act. S. 3267 (95th Cong.). Federal Grant and Cooperative Agreement Act. P.L. 95-224. Intergovernmental Personnel Act. Public Works and Economic Development Act. Executive Order 12089.

Productivity is defined as the relationship between resources used and results achieved. Improvement in productivity means either obtaining more and better program output from a given level of resources or using fewer resources to maintain or improve a certain quality level of output. The Federal Government has a vital stake in improving the productivity of State and local governments for two primary reasons: the national economy is strengthened as a result of improvements in the productivity and fiscal prospects of this key sector; and the effectiveness and efficiency of the multitude of Federal grant and regulatory programs using State and local governments to implement Federal policies are directly related to the management capacity of those governments.

Findings/Conclusions: The productivity in State and local governments is lower than it could be, resulting in higher costs and/or lower levels of public services. State and local government operations do not have the profit incentive to improve productivity that exists in the private sector. However, substantial fiscal and performance benefits have been achieved by innovative State and local governments which have initiated productivity improvement programs. Productivity improvement has been used as a strategy to relieve growing fiscal pressures faced by State and local governments, but most State and local governments do not have significant, comprehensive productivity improvement programs. Major barriers preventing or limiting State and local improvement programs include internal resistance, the large initial investment needed to start a program, and the limited capacity of organizational systems. The most important impact of the Federal Government on State and local government productivity is the Federal grants system, but most Federal grant programs do not reward grantees for productivity performance.

Recommendations: The President should establish a focal point at the Federal level with clear authority to oversee and provide stronger leadership for Federal efforts assisting State and local management improvement and productivity. Congress should institute fundamental changes in the grants system by removing negative barriers and by incorporating positive incentives to reward improved productivity in grant programs. The Director of the Office of Management and Budget, with the assistance of the proposed focal point, should lead a Government-wide effort to promote increased concern for productivity in Federal assistance programs.

Appropriations

Office of Personnel Management
Department of Labor

Appropriations Committee Issues

The Committees should provide appropriate funding levels for a general management improvement program and for a State and local government productivity focal point in OPM. Appropriate funding levels should be provided to the Bureau of Labor Statistics for a State and local government productivity measurement program. Positive productivity incentives should be incorporated in Federal domestic programs by changing program funding formulas.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF STATE
DEPARTMENT OF THE INTERIOR

Managing Foreign Mineral Information Programs To Support Public Policy Analyses
(EMD-81-32, 12-10-80)

Budget Function: Natural Resources and Environment: Other Natural Resources (0306)
Legislative Authority: National Materials and Minerals Policy Research and Development Act of 1980.

Changes in global mineral supply and demand conditions can have direct and far-reaching implications for U.S. economic stability and strategic capabilities. In spite of highly visible concern in the executive branch and Congress about U.S. foreign mineral information capabilities and numerous initiatives that have expanded Federal data collection and analysis capabilities, there continues to be no strategy for matching extensive information capabilities with public policy mineral information throughout the executive branch. For many mineral commodities critical to economic stability and strategic capabilities, the United States is increasingly dependent on foreign sources of supply. It is important to know about supply and demand of mineral sources from abroad, foreign reserves, and conditions that could result in supply interruptions.

Findings/Conclusions: Federal foreign mineral information capabilities fall short of public policy, decisionmaking, and overall resource management objectives because: (1) the Department of the Interior's foreign mineral data collection, analysis, and dissemination activities are principally responsive to individual office mandates rather than to the entire executive branch; (2) responsible policy planning, decisionmaking, and resource managers in the Federal Government have minimal contact with the various Government collection, analysis, and dissemination processes; (3) the wide selection of data available does not become part of a data pool, reducing its availability and effectiveness; (4) the use of foreign mineral data has been severely restricted due to the absence of a usable data management capability; and (5) commodity policy analysts throughout the executive branch contract for data bases from a wide variety of sources outside the Federal establishment, creating a lack of communication between data collection and policy planning.

Recommendations: The Secretary of the Interior should initiate an in-depth analysis of all continuing foreign mineral data needs and resources throughout the executive branch, including capabilities and requirements of State Department Foreign Service reporting officers. The Secretary of the Interior should direct centralization of responsibility of all foreign mineral and related information (not the collection function itself) within the Minerals Information and Analysis Directorate, U.S. Bureau of Mines. The Secretary of the Interior should direct that the Minerals Information and Analysis Directorate structure the foreign mineral information system to be responsive to needs of all agencies for minerals and related information needs of all agencies and to incorporate ongoing data acquisition activities of other Federal agencies. The automated capability should also incorporate a new file on institutional factors likely to affect production and investment climate as a regular systematized component of foreign mineral reporting, to be modified as conditions warrant.

Agency Comments/Action

The State Department has taken steps to improve the minerals information functions of U.S. embassies abroad. Both the Commerce Department and the National Academy of Sciences are using the GAO report for interagency committee discussions. Much of the Interior Department's actions depend upon further plans of an interagency minerals task force.

Appropriations

Minerals information - Department of the Interior, Bureau of Mines

Appropriations Committee Issues

A possible area of interest might be ways to reduce duplication in Federal minerals data gathering and improve data base management.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF THE ARMY
DEPARTMENT OF THE INTERIOR

Changes in Federal Water Project Repayment Policies Can Reduce Federal Costs (CED-81-77, 8-7-81)

Budget Function: Natural Resources and Environment: Water Resources (0301)
Legislative Authority: Reclamation Project Act of 1939 (53 Stat. 1187). Water Supply Act of 1958 (72 Stat. 319). P.L. 87-483.

Because prior GAO studies disclosed several large Federal reservoirs with substantial amounts of unsold water or storage space, GAO reviewed the repayment policies and practices of the Army Corps of Engineers and the Bureau of Reclamation that do not ensure fair and timely recovery of water projects' reimbursable costs.

Findings/Conclusions: Current repayment policies, for the most part, require that water projects must be fully used to ensure cost recovery. However, much water is neither purchased nor used as originally intended and is likely to remain underutilized for years. As a result, the Federal Government will continue to absorb substantial costs. Agency officials have made some changes, but much more should be done. Millions of acre-feet of underutilized water are available in Federal reservoirs. Agency officials stated that they had no water marketing policies and generally relied on State water boards, local chambers of commerce, and water districts to carry out water marketing activities. Agencies have not taken advantage of opportunities to increase cost recovery. Sometimes agencies use outdated prices for determining operation and maintenance (O&M) costs. In some cases, repayment was not required even though water users received benefits. Payments received from water option contractors were not always apportioned to O&M costs. Occasionally, the Bureau of Reclamation charged water users for O&M costs but credited the revenues to construction cost repayment. As a result of such practices, reimbursable O&M costs had to be paid from Federal funds. O&M costs were not accumulated as reimbursables for future water price determinations, but often were reassigned to nonreimbursable categories.

Recommendations: The Secretaries of the Army and Interior should develop an overall water marketing strategy for their agencies. The Secretaries of the Army and Interior should issue instructions requiring all reservoir users to share equitably in O&M cost recovery. The Secretary of the Interior should issue instructions requiring that option revenues be equitably allocated to O&M cost recovery. The Secretaries of the Army and Interior should annually disseminate information on the available water supply to the Congress, State agencies, and potential buyers. The Secretary of the Interior should issue instructions requiring that O&M cost reallocations be limited to those based upon demonstrated changes in benefits. The Secretaries of the Army and Interior should issue instructions requiring all O&M charges to be updated annually and applied to new or amended contracts. The Secretaries of the Army and Interior should issue instructions requiring congressional authorization to be sought for water uses not specifically authorized. The Secretary of the Interior should issue instructions requiring that reallocation policies be equally applied to both reimbursable and nonreimbursable expenses. The Secretary of the Interior should require reasonable payment for all water reservations. The Secretary of the Interior should require water prices to be based upon how much water can be delivered and sold. The Secretary of the Interior should require water contracts with renewal provisions to specify the method for price adjustments. The Secretary of the Interior should require annual water price reevaluations as a basis for establishing new or amended contract prices. The Secretaries of the Army and Interior should establish policies that will require unrecovered reimbursable O&M costs to be accumulated and considered in future price determinations. The Secretaries of the Army and Interior should establish policies that will require an interest allocation to be included in all water charges to municipal and industrial users. The Secretaries of the Army and Interior should establish policies that require all project purposes to share, in accordance with actual reservoir uses, in O&M expenses. The Secretary of the Interior should require specific approval of the Commissioner of Reclamation when contract revenues from Federal reservoirs will be applied to a non-Federal entity. The Secretary of the Interior should require nationwide distribution of its and Bureau of Reclamation repayment policies, procedures, and applicable interpretations for establishing and implementing repayment requirements. The Secretary of the Interior should require a periodic review of regional-pricing and accounting practices to ensure that they consistently and equitably apply agency policy.

Agency Comments/Action

The Department of the Interior agreed that the allocations of operation and maintenance costs need review and standardization. The Department of the Army is reviewing the entire cost recovery system in considering the GAO recommendations. Some agency action has taken place to correct several deficiencies which resulted in over $200,000 in savings.

Appropriations

Operation and maintenance expenses - Department of the Interior, Bureau of Reclamation
Operation and maintenance expenses - Department of the Army

Appropriations Committee Issues

The Committees should monitor the progress being made to improve cost recovery.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF THE INTERIOR
GENERAL SERVICES ADMINISTRATION

Police Forces in the District of Columbia Can Improve Operations and Save Money (GGD-79-16, 7-12-79)

Budget Function: Administration of Justice (0750)
Legislative Authority: District of Columbia Self-Government and Governmental Reorganization Act. P.L. 93-198. 4 Stat. 266. 9 Stat. 599. P.L. 94-306. 22 Stat. 243. 4 Stat. 324.

Four District of Columbia police forces were reviewed: the Metropolitan Police Department, the U.S. Park Police, the Capitol Police, and the Metro Transit Police. The forces need to improve their patrol practices and certain inefficient and costly practices.

Findings/Conclusions: Park and Metropolitan police officers patrol the same areas in some District locations because of overlapping jurisdictions. In addition, because Metropolitan and Park forces each maintain their own photography and fingerprinting facilities, they sometimes unnecessarily repeat identification processing of arrestees. Police officers perform clerical, administrative, technical, and protective duties, which lower cost civilians and guards could do. The forces could save as much as $3.1 million annually if civilians and guards were used instead of sworn officers. Finally, sometimes the police forces buy weapons which are being stockpiled by other forces or purchase items which could have been bought at reduced prices from the General Services Administration (GSA).

Recommendations: The police forces should transfer jurisdiction of certain land to avoid overlapping patrols; coordinate identification services; use civilians and guards instead of police officers where possible; and adopt a policy to acquire goods and services from GSA when economically beneficial.

Agency Comments/Action

The forces' reaction to the report's recommendations were mixed, although all agreed that seeking more efficient and economical operations is a worthwhile goal. In September 1979, the Department of the Interior, in replying to the report in accordance with the Legislative Reorganization Act, advised that it would not support any change in providing police services in the areas currently under U.S. Park Police jurisdiction. Interior also agreed to discuss with the District of Columbia government ways to minimize duplication of identification services. Except for Capitol Police, there was agreement from all forces to increase use of civilians in lieu of sworn officers where feasible, and in procuring from the General Services Administration when beneficial; and the forces described the extent to which they were or would be following this practice. Initially, the Metropolitan Police, Metro Transit Police, and U.S. Park Police had replaced a total of 39 sworn officers with civilians. The forces realized a one-time savings totaling $264,000 in training and equipment costs and a recurring savings of $497,180 in salary and fringe benefit costs.

Appropriations

Congressional operations - District of Columbia
Department of the Interior, National Park Service
Intergovernmental agencies

Appropriations Committee Issues

The forces can improve their patrol practices and reduce costs by: coordinating identification services; using civilian and guard employees more; and improving procurement practices.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF THE INTERIOR
OFFICE OF SCIENCE AND TECHNOLOGY POLICY

Phosphates: A Case Study of a Valuable, Depleting Mineral in America (EMD-80-21, 11-30-79)

Budget Function: Natural Resources and Environment: Other Natural Resources (0306)
Legislative Authority: Endangered Species Act of 1973. H.R. 2743 (96th Cong.).

Phosphate is a primary plant nutrient which is absolutely vital to sustaining the Nation's agricultural output, and phosphate rock is the only practical source of phosphorous on a commercial scale. In order to assess the outlook for phosphate, GAO reviewed phosphate-mining techniques, the effects of environmental regulation on the industry, and methods being used to estimate the quantity of domestic phosphate reserves and resources.

Findings/Conclusions: As presently mined, high-grade phosphate deposits are being depleted. Over one-half of all phosphate production in the United States occurred in the last 12 years, and it is far from certain that the Nation's reserves will be adequate beyond the year 2000. In order to plan for the availability of phosphates in the future, a reliable information system is needed. The Bureau of Mines relies too heavily on unverified, proprietary data without judging its reliability. World-reserve estimates have fluctuated wildly from year to year and are even less reliable than domestic estimates. Environmental and land-use concerns are another factor which must be considered in planning phosphate availability. While past availability depended only on whether or not it was profitable to produce the mineral, it is being increasingly subordinated to environmental impact and competing desires for nonmining uses of public lands. Government policies which seek to minimize environmental damage diminish potential phosphate reserves significantly. A third factor essential to planning is an assessment of the world market outlook; the present trends of global production and imports indicate that availability is bound to have economic and probably strategic implications for the United States and its allies. Finally, while the Nation has traditionally relied on market forces to deal with shortages and has generally expected private industry to meet new demands, there is now a need for the Government to plan for the long-term requirements of the country.

Recommendations: The Secretary of the Interior should make a thorough review of the Nation's long-range phosphate position and report to Congress on the future availability of phosphates. This phosphate assessment should be completed no later than December 31, 1981, and include the following: (1) a comprehensive assessment of the phosphate reserves of the Nation and the world, with the Secretary judging the need, if any, for Government verification of proprietary (source) records to the extent that the assessment is based on unverified data; (2) a determination of the extent that environmental concerns and land-use decisions are likely to restrict phosphate development; (3) a review and evaluation of alternatives to dependency on imports and assessment of their costs; and (4) a Department of Agriculture estimate of future needs for phosphates in agriculture and possible food production alternatives to depending on foreign fertilizer sources. OSTP in the Executive Office of the President should coordinate and make sure that an integrated research and development program for phosphates is begun and that OSTP contribute as appropriate to the comprehensive review and report. Congress should require immediate work to start on the recommended review and be particularly alert to the Department of the Interior's response to this report, as required by the Legislative Reorganization Act of 1970. In the same fashion, Congress should also carefully monitor the actions of the Office of Science and Technology Policy (OSTP) in assisting formulation of a comprehensive research and development program for phosphates. If the OSTP persists in its negative attitude and abdication of responsibility, Congress should consider an alternative placement of responsibility for coordination of materials research and development issues of national concern.

Agency Comments/Action

The Department of the Interior recently completed an assessment of the domestic potential phosphate reserves, and one on world reserves will follow. This assessment is scheduled for completion by the end of 1982. In view of this, the Department does not believe the study called for in the GAO report is necessary. The Office of Science and Technology Policy disagreed with the GAO recommendation that it coordinate and ensure implementation of an integrated research and development program for phosphates because it believes the present system works rather well and does not require major change.

Appropriations

Department of the Interior and Office of Science and Technology Policy

Appropriations Committee Issues

Congress should decide to require the Secretary of the Interior to review the Nation's long-range phosphate position and report to them on the future availability of phosphates. This study is necessary because over the next two decades the richest U.S. phosphate deposits are likely to be depleted and nonfuel minerals policy review has not addressed the phosphate issue in a coherent manner. Congress should also decide to monitor the Office of Science and Technology Policy in assisting formulation of a comprehensive research and development program for phosphates. If not satisfied, Congress should consider an alternative placement of responsibility for coordination of materials research and development issues of national concern.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF TRANSPORTATION
Federal Aviation Administration
Federal Highway Administration
Federal Railroad Administration
Research and Special Programs Administration
ENVIRONMENTAL PROTECTION AGENCY
FEDERAL EMERGENCY MANAGEMENT AGENCY
NATIONAL TRANSPORTATION SAFETY BOARD

Programs for Ensuring the Safe Transportation of Hazardous Materials Need Improvement (CED-81-5, 11-4-80)

Budget Function: Transportation (0400)
Legislative Authority: Disaster Relief Act (42 U.S.C. 5121 et seq.). Hazardous Materials Transportation Act (49 U.S.C. 1801 et seq.). Transportation of Explosives Act (18 U.S.C. 831 et seq.). Aviation Act (49 U.S.C. 1301 et seq.). Dangerous Cargo Act (Ships) (46 U.S.C. 170). Department of Transportation Act.

GAO evaluated the Department of Transportation's efforts to promote the safe transportation of hazardous materials and the emergency response mechanisms available to react to hazardous material disaster situations. The Department of Transportation is responsible for ensuring the safety of the public from the inherent risks associated with transporting hazardous materials.

Findings/Conclusions: The Department has done much to upgrade the Federal effort to better assure public safety in transporting hazardous materials, but improvements are needed. More knowledge is needed of industry size and the risks associated in transporting hazardous materials. Without this information, the Department cannot effectively plan its inspection and emergency response activities. The Department has not developed an overall program to evaluate all risks associated with transporting hazardous materials. Federal and State inspection and enforcement efforts should be strengthened. The Department does not have a program to identify those companies which present the greatest risk to the public. Better coordination and training among Federal, State, and local governments, as well as private industry, could enhance emergency response capabilities. The Department has not established an adequate program to inform or to educate personnel in emergency response organizations.

Recommendations: The Secretary of Transportation should require the Director of the Materials Transportation Bureau (MTB) and the modal administrators to develop risk profiles of hazardous materials carriers and shippers. The Secretary of Transportation should require the Director of MTB to assign specific responsibility within MTB for evaluating risks associated with transporting hazardous materials. The Secretary of Transportation should direct the Director of MTB to improve the completeness and accuracy of the hazardous materials incident reporting system by clarifying instructions and criteria for developing damage estimates. The Secretary of Transportation should direct the Director of MTB to improve the completeness and accuracy of the hazardous materials incident reporting system by better educating the industry on reporting requirements and current reporting deficiencies. The Secretary of Transportation should direct the Director of MTB to require that hazardous materials incident reports be submitted by all firms and for all areas subject to the regulation under the Hazardous Materials Transportation Act. The Secretary of Transportation should direct the Director of MTB to improve the completeness and accuracy of the hazardous materials incident reporting system by clarifying what costs should be included in the estimate of damages resulting from hazardous materials incidents. The Secretary of Transportation should direct the modal administrators and the Director of MTB to work with the States to develop and implement comprehensive plans to expand State roles in enforcement of hazardous materials regulations. The Secretary of Transportation should direct the Director of MTB to improve the completeness and accuracy of the hazardous materials incident reporting system by extending the current 15 day limit for submitting incident reports to allow more time to prepare accurate reports. The Secretary of Transportation should direct the Director of MTB to improve the completeness and accuracy of the hazardous materials incident reporting system by requiring that revised incident reports be submitted should data originally reported change significantly. The Director of MTB should coordinate the DOT registration program with other Federal agency programs having information on the hazardous materials transportation industry and gain access to that information which would be useful in developing a registration program. The Secretary of Transportation should require the Director of MTB to develop a plan to work with State and local officials in highly populated areas to study routes used to transport hazardous materials, as a basis for determining the risks associated with such routes and the desirability of altering these routes. The Secretary of Transportation should direct the modal administrators and the Director of MTB to develop systems for giving priority to inspecting companies presenting the greatest public risk while transporting hazardous materials. The Secretary of Transportation should direct the modal administrators and the Director of MTB to coordinate the formulation of uniform guidelines which can be used by field inspectors to determine when violations will be developed into enforcement cases. The Secretary of

Transportation should direct the modal administrators and the Director of MTB to adopt a systematic means of recording all violations found during inspections and analyze this information to assist in planning inspection activities and measuring program effectiveness. The Secretary of Transportation should direct the Director of MTB to develop a comprehensive list of available hazardous materials training courses and information and educational materials to be distributed through appropriate channels to emergency response organizations. The Secretary of Transportation should direct the Director of MTB to improve the completeness and accuracy of the hazardous materials incident reporting system by using other data sources, such as those noted above, to better ensure that all incidents are being reported as required and that, where not, appropriate enforcement actions are taken. The Secretary of Transportation should emphasize to the MTB Director that the annual report on the DOT hazardous materials transportation program should accurately and completely indicate the extent of the problems associated with transporting hazardous materials and the level of effort DOT is expending on its hazardous materials program. The Secretary of Transportation, in cooperation with the Chairman of the Council of Environmental Quality, should establish provisions in the National Contingency Plan to provide for increased roles of city and county government organizations and industry associations by inviting representatives of these groups to participate as full members of the Regional Response Teams. The Secretary of Transportation should direct the Director of MTB to improve the completeness and accuracy of the hazardous materials incident reporting system by following up on significant cases in which (1) the reports do not contain required information, (2) other information in the report indicates the possibility of inaccurate data, or (3) other data sources indicate significant discrepancies from data reported. The Secretary of Transportation should emphasize to the MTB Director that the annual report on the DOT hazardous materials transportation program as required by law, should be provided to the President and the Congress by May 1 of each year for the preceding calendar year, and that it provide an evaluation of the effectiveness of enforcement activities and the degree of voluntary compliance with applicable regulations. The Secretary of Transportation should take appropriate steps to implement an awareness program to assure maximum benefits from the revised labeling and placarding identification system. The Secretary of Transportation should direct the Director of MTB to periodically update the list of hazardous materials information in the DOT bimonthly Hazardous Materials Newsletter, and assure that adequate distribution of the newsletter is made to emergency response organizations. The Secretary of Transportation should direct the Director of MTB to develop a method to assure that adequate distribution is made of lists of available hazardous materials training courses and information and educational materials. Consideration should be given to developing a comprehensive mailing list of emergency response organizations, particularly volunteer fire departments, or seeking the assistance of the major fire service organizations to distribute the information through their periodic publications. The Secretary of Transportation should require the Director of MTB to establish a registration program to identify and develop risk profiles of all hazardous materials carriers, shippers, and container manufacturers, as authorized by section 106(b) of the Hazardous Materials Transportation Act.

Agency Comments/Action

The Department of Transportation (DOT) agreed with many of the GAO recommendations. DOT stated that it is, and has been for some time, in the process of increasing its involvement with the States in enforcing the hazardous materials regulations and has substantially increased its efforts in making training and hazardous materials information available to State emergency response personnel. The proposed DOT regulations for highway routing of radioactive materials include a requirement for local government participation in the decisionmaking process. GAO does not agree, however, with implementing a universal registration program, requiring shippers to report hazardous materials incidents, developing an institutionalized risk profile system, or placing emphasis on the inspection of shippers.

Appropriations

Operations - Department of Transportation, Research and Special Programs Administration
Research and development - Department of Transportation, Research and Special Programs Administration

Appropriations Committee Issues

The Committees should direct their attention toward ensuring that DOT more effectively and efficiently uses its limited staffing and resources. In particular, improvements in and better use of the hazardous materials information system and increased involvement of State and local governments in hazardous materials programs need to be encouraged.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF TRANSPORTATION
INTERSTATE COMMERCE COMMISSION

The Trucking Industry's Federal Paperwork Burden Should Be Reduced
(GGD-81-32, 3-3-81)

Budget Function: Transportation: Ground Transportation (0401)
Legislative Authority: Reports Act. Paperwork Reduction Act of 1980.

As part of a review on the paperwork burden imposed on American business by Federal agencies, GAO examined the efforts of the Department of Transportation (DOT) and the Interstate Commerce Commission (ICC) to manage their paperwork requirements affecting the trucking industry.

Findings/Conclusions: The Federal Highway Administration (FHWA) imposes a heavy paperwork burden on the trucking industry. It requires duplicate information and is not using collected data efficiently. In selecting companies for safety inspection, the FHWA Bureau of Motor Carrier Safety investigators generally rely on their own knowledge of motor carrier activities rather than requesting and using available summarized information to identify those companies most needing safety inspections. ICC does not have the controls necessary to ensure that its paperwork requirements are properly prepared and cleared before they are imposed on the public. During the past 6 years, 28 of the 70 currently cleared requirements resubmitted to GAO for approval were either incomplete, contained inadequate justification, or had issues which resulted in conditional clearances; nine other instances were identified where uncleared forms resulted in unauthorized data collection. The ICC commodity statistics report is of little use because it is incomplete, inaccurate, and out of date. As early as 1975, ICC knew that it did not need its quarterly loss and damage report. In 1978, DOT stated that it only needed semiannual rather than quarterly data. In 1978, a task force reviewed the ICC financial and statistical reporting requirements and made recommendations which it estimated would save the Government and businesses millions of dollars. Action was taken on several recommendations, some were disapproved with limited justification, and others were deferred pending possible deregulation of the industry.

Recommendations: Congress should, if it wants DOT to publish loss and damage reports showing industry management and law enforcement agencies the significance of the cargo theft problem, authorize DOT to require the applicable data. The Chairman of ICC should direct the ICC Managing Director to initiate action to revise or eliminate reporting requirements immediately after all or part of them have been determined to be unnecessary. The Chairman of ICC should complete a determination of whether the commodity statistics data are essential for ICC operations. Based upon this determination, the Chairman should either eliminate the requirement or revise it using a statistical sample of existing company records. The burden imposed by the reporting universe and reporting method of any revised reporting requirement should be compatible with ICC's needs. The Chairman of ICC should strengthen the ICC paperwork management process by establishing controls to ensure that (1) clearance submissions are accurately prepared; (2) justifications for paperwork requirements are properly documented; and (3) requirements are cleared before they are imposed on the public. The Chairman should also evaluate the differences between the final data task force recommendations and the assessment by the Section of Accounting and Reporting's three-man review team and, in instances where the task force recommendations are valid and the team's recommendations are not fully supported, initiate steps to implement the task force recommendations. The Secretary of Transportation should require the Administrator of the Federal Highway Administration to (1) routinely provide the Bureau of Motor Carrier Safety's field investigators with appropriate summarized data and ensure that they use it to systematically identify and investigate carriers most in need of safety surveys; (2) begin collecting mileage data and reporting accident ratios for all DOT-regulated carriers reporting accidents; (3) summarize safety violations by carrier, and use these summaries to identify high-risk carriers and in followup visits, to evaluate whether the DOT's paperwork requirements contribute to enhancing highway safety; (4) evaluate the usefulness of the Driver's Daily Log in enhancing highway safety to provide a basis for continuing or eliminating the requirement; (5) assure that the Bureau of Motor Carrier Safety uses data developed during its pilot study to expeditiously and systematically develop and carry out an implementation plan for a Department-wide management information system; and (6) eliminate the Accident Register requirement.

Agency Comments/Action

DOT agreed in general with the recommendations. The Department has established (1) a priority review of selected DOT regulations which impose a significant paperwork burden on the public, and (2) a taskforce to review the criteria whereby motor carriers are selected for survey by the field staff. DOT anticipates reduced paperwork burden and systematic selection of motor carriers for survey. ICC generally agreed with the recommendations and indicated that corrective action would be taken.

Appropriations

Safety - Department of Transportation, Federal Highway Administration
Economic regulation - Interstate Commerce Commission

Appropriations Committee Issues

The Committees should assure that the Department and ICC implement the recommendations of this report.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF TRANSPORTATION
Federal Railroad Administration
INTERSTATE COMMERCE COMMISSION

There Is No Shortage of Freight Cars--Railroads Must Make Better Use of What They Have (CED-81-2, 11-10-80)

Budget Function: Transportation: Ground Transportation (0401)
Legislative Authority: Railroad Revitalization and Regulatory Reform Act of 1976 (P.L. 94-210). Staggers Rail Act of 1980 (P.L. 96-448). P.L. 95-580.

Railroads cannot satisfy the demand for freight cars, because they do not use the existing car fleet efficiently. Enough cars are available, but they are not in the right place at the right time.

Findings/Conclusions: GAO found that, because the Interstate Commerce Commission's (ICC) authority is limited and other Federal agencies lack authority over car availability, Federal efforts to improve freight car utilization have not been too successful. As an aid to the industry, the recently approved Staggers Rail Act of 1980 authorizes that Federal funds available to assist railroads can be used for car management systems to improve car utilization. However, the Act will not necessarily make funds available to all railroads that might be interested in such a system. Although shippers have persistently complained of their inability to obtain freight cars on demand, unfilled orders never exceeded 4 percent of the serviceable fleet from 1973 through 1978. Moreover, data on unfilled car orders are of questionable accuracy, because shippers are thought to inflate their orders during peak demand periods. The courts have ruled that ICC may not impose performance standards; therfore, ICC has traditionally approached the freight car problem by restricting or directing the movement of particular cars. Rather than adding more cars, the freight car problem could be reduced in the long run through technical and economic changes. The railroads could improve utilization and balance distribution by developing and using a computerized, nationwide system of car management. The Federal Railroad Administration (FRA) has sponsored studies which are informative and appear to offer solutions. However, operational improvements alone will not solve the inability of shippers to obtain freight cars on demand.

Recommendations: The Chairman of ICC should work with the Administrator of FRA and the railroad industy to develop the technology and cooperation needed to implement a compatible management information system for better freight car utilization. The Secretary of Transportation should direct the Administrator of FRA to continue to develop and demonstrate improved railroad car management and control methods that could be used in a compatible nationwide system, and to use available assistance programs to encourage railroads to install and use such systems. The Chairman of ICC should: (1) prescribe specific criteria for issuing emergency car service orders and establish a system to control and evaluate the effects of these orders; (2) study whether demurrage encourages shippers to release cars faster; and (3) study whether prompt release results in more efficient car use.

Agency Comments/Action

ICC agreed with the report's principal conclusions that freight car shortages are largely attributable to inefficient car utilization and that improving utilization should primarily be resolved by the railroad industry. However, ICC stated that the report placed too much emphasis on a technological solution to what it believed was a pricing problem. ICC also suggested that car shortages should be shown on a monthly or regional basis. In response to the report, the Acting Chairman of ICC stated that the agency would be willing to cooperate with FRA and the railroads to develop better car information systems. ICC also agreed that more research into the effectiveness of demurrage charges would be useful.

Appropriations

Rail service assistance - Department of Transportation, Federal Railroad Administration

Appropriations Committee Issues

The Committees should consider FRA loan guarantees or matching grants for railroad technical research and development in information systems. The Committees also should consider whether ICC should monitor car information system development and eliminate regulatory obstacles to the development of such systems.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF TRANSPORTATION
Federal Aviation Administration
GENERAL SERVICES ADMINISTRATION
Federal Supply Service

Better Investment Decisions Can Save Money at GSA and FAA (PLRD-81-30, 6-5-81)

Budget Function: Congressional Information Services (1008)

An effective and efficient logistics system is one which maintains sufficient, but not excessive, stocks on hand to meet users' needs. Logistics managers must decide when to buy and how much to buy. In order to make these decisions, managers need current and valid cost, demand, leadtime, and safety level data. GAO reviewed how the General Services Administration (GSA) and the Federal Aviation Administration (FAA) managers make these purchasing decisions.

Findings/Conclusions: GAO found that even though GSA and FAA were generally achieving their fill rate goals and had adequate stock turnover rates, the agencies could improve the effectiveness and efficiency of the supply systems by refining existing operating procedures and employing alternative management strategies. By doing so, the system would be more responsive to user needs and inventory management costs could be reduced. GAO identified several areas where improvements were needed and believes that: using updated data would reduce inventory management costs; recognizing and responding more rapidly to demand trends in the GSA demand forecasting would reduce purchases; using more accurate leadtime data would reduce requirements; and revising the method for computing safety level stocks would reduce the safety level investment without adversely affecting supply responsiveness. If FAA used an economic order quantity model that considered shortage costs and demand variability in addition to carrying and procurement costs, it would save money. GSA demand forecasting does not give more weight to the more recent months' demand data, therefore, it is less responsive to sudden demand changes. Safety level stocks are maintained in addition to operating needs to protect against unanticipated demands; however, safety levels could be reduced if GSA calculated them on a systemwide basis rather than on a depot-by-depot basis. The need for safety levels on many items was questionable given their low demand and replenishment infrequencies.

Recommendations: The Administrator of FAA should emphasize the need for timely processing of received items into the warehouse. The Administrator of FAA should implement the recently revised cost factors and to take advantage of opportunities offered by recent economic order quantity modeling developments to optimize inventory levels and reduce inventory management costs. The Administrator of GSA should direct the Commissioner of the Federal Supply Service to reevaluate its forecasting technique with a view toward changing the weighting factors to give greater weight to the more recent demand data. The Administrator of GSA should direct the Commissioner of the Federal Supply Service to eliminate the delays between receipt of items at the depot and their posting to the records. The Administrator of GSA should direct the Commissioner of the Federal Supply Service to exclude leadtime attributable to the period that deliveries are deferred at the agency's request from the item's leadtime history. The Administrator of FAA should use an item's actual leadtime rather than the leadtime adjusted by a rounding factor to compute requirements. The Administrator of GSA should direct the Commissioner of the Federal Supply Service to establish a separate leadtime data base for Small Business Administration section 8A contractors and include section 8A due-ins in the requirements determination process. The Administrator of GSA should direct the Commissioner of the Federal Supply Service to develop a system which relates the need for and amount of safety level to item essentiality. The Administrator of GSA should direct the Commissioner of the Federal Supply Service to use leadtime variation, rather than the length of leadtime, in the computation of safety level requirements. The Administrator of GSA should direct the Commissioner of the Federal Supply Service to compute an item's safety level requirement on a systemwide basis, rather than on a depot-by-depot basis. The Administrator of FAA should adopt a variable safety level concept which considers the individual characteristics of an item--including item essentiality and demand and leadtime variations--in determining safety level requirements. The Administrator of GSA should direct the Commissioner of the Federal Supply Service and the Secretary of Transportation to direct the Administrator of FAA to implement the recently revised cost factors and to take advantage of opportunities offered by recent economic order quantity modeling developments to optimize inventory levels and reduce inventory management costs.

Agency Comments/Action

GSA and FAA officials generally agreed with the GAO findings and recommendations, and either took or promised to take corrective actions on the deficiencies noted in the review. The agencies expressed considerable interest in adopting new economic order quantity techniques to optimize inventory levels and reduce management costs by several hundred thousand dollars a year.

Appropriations

Procurement - Various agencies

Appropriations Committee Issues

The Committees should ask GSA and FAA for a progress report on making the needed management improvements identified in the GAO report.

DEPARTMENT OF TRANSPORTATION
Federal Aviation Administration
NATIONAL TRANSPORTATION AND SAFETY BOARD

The Federal Aviation Administration Can Improve the Operation of Its General Aviation District Offices (CED-81-114, 6-29-81)

Budget Function: Transportation: Air Transportation (0402)
Legislative Authority: Aviation Act (49 U.S.C. 1421).

Ways in which the Federal Aviation Administration (FAA) can improve the operation of its general aviation district offices (GADO) were examined.

Findings/Conclusions: General aviation has continued to grow over the last decade while GADO staff levels have remained unchanged. FAA increased GADO staff and plans to increase productivity by using automation equipment. GAO could not determine if these measures will solve the staffing problem because FAA has not defined the extent of the problem. GAO reviewed the operation of nine GADO offices and found that FAA needed to: (1) better plan for and manage its workforce devoted to general aviation district offices; (2) better monitor private pilot training, licensing, and continued pilot proficiency; and (3) exercise stronger controls over the aircraft rental program. Finally, GAO concluded that the Accident Prevention Program, although effective, could be made even more effective through certain improvements and closer adherence to program directives.

Recommendations: The Secretary of Transportation should direct the FAA Administrator to give higher priority to conducting periodic regional evaluations of GADO performance, as required by FAA directives. The Secretary of Transportation should direct the FAA Administrator to direct GADO's to spot check pilot examiner flight tests on a periodic basis. The Secretary of Transportation should direct the FAA Administrator to assure that locations needing accident prevention counselors are identified and that counselors are appointed. The Secretary of Transportation should direct the FAA Administrator to develop a GADO work force planning process that includes setting objectives, identifying needed work tasks, and using up-to-date staffing standards. The Secretary of Transportation should direct the FAA Administrator to seek the necessary approvals to extend the retention period for the Aircraft Request and Use Record (form 4040.6). The Secretary of Transportation should direct the FAA Administrator to require GADO's to use the data on flight instructor evaluation forms as a tool in monitoring flight instructor performance. The Secretary of Transportation should direct the FAA Administrator to provide GADO managers with job-related training in budgeting, staff management, and other principles contained in the Managing a GADO guide. The Secretary of Transportation should direct the FAA Administrator to establish additional specific criteria as to what actions constitute inadequate pilot examiner performance and can result in removal of examiner designations. The Secretary of Transportation should direct the FAA Administrator to assure that GADO's prepare accident prevention plans that identify specific safety problems that need attention and how the problems will be resolved. The Secretary of Transportation should direct the FAA Administrator to demonstrate that actual savings from using leased district office modernization equipment will justify the cost of the equipment. This should be done before purchasing the equipment for nationwide use. The Secretary of Transportation should direct the FAA Administrator to require pilot examiners to submit to FAA a flight instructor evaluation form on each flight test administered and to provide a copy of this evaluation to the appropriate instructor. The Secretary of Transportation should direct the FAA Administrator to amend Federal Aviation Regulations to specify minimal subject matter to be required in each biennial flight review, appropriate to the type of pilot license and ratings to be used. The Secretary of Transportation should direct the FAA Administrator to assure that flight assists are quickly followed up using accident prevention counselors for this purpose whenever possible. The Secretary of Transportation should direct the FAA Administrator to assure that private organization accident prevention programs are assessed so that improvements, when needed, can be encouraged. The Secretary of Transportation should direct the FAA Administrator to direct regions and GADO's to use the deferred suspension option in cases where remedial training is preferred and provide better guidance on how to use this option. The Secretary of Transportation should direct the FAA Administrator to evaluate, on a continuing basis, all potential work saving measures (such as increased work delegation), including those submitted by field organizations, and ensure that timely and full advantage is taken of those having merit. The Secretary of Transportation should direct the FAA Administrator to assure that GADO's and regions gather qualification and experience data on safety meeting attendees to be used in planning the content for safety meetings and measuring success in reaching target groups. The Secretary of Transportation should direct the FAA Administrator to explore the possibility of aircraft rentals through competitive bidding and use this method when it would result in cost savings to the Government. The Secretary of Transportation should direct the FAA Administrator to assure that Safety Impovement Reports are better used by (1) continually publicizing the existence and use of the form; (2) aggressively following up on submitted reports until corrective action is taken; and (3) informing submitters of action taken. The Secretary of Transportation should direct the FAA Administrator to provide GADO personnel with clear and specific guidelines (using examples if necessary) that define and differentiate between acceptable and unacceptable rental aircraft uses. The Secretary of Transportation should direct the FAA Administrator to identify the specific information necessary to perform thorough postaudits of rental form justification and revise the appropriate directives to require such information. The Secretary of Transportation should direct the FAA Administrator to require specific justifications for selecting aircraft rentals other than single-engine aircraft and provide examples of justifications that would (and/or would not) be acceptable.

Agency Comments/Action

FAA endorsed 11 recommendations; partially agreed to 5; and did not concur with 6 of the recommendations. Those not concurred with concerned: additional criteria for monitoring pilot examiner performance; spot checking pilot examiner flight tests; amendment of biennial flight review subject matter; and various aspects of management of the aircraft rental program.

Appropriations

Operations - Department of Transportation, Federal Aviation Administration

Appropriations Committee Issues

Aircraft rental expenditures were about $1.8 million in 1980, and about $3.0 million was requested for 1981. The Committees should determine that there is no questionable use, misuse, or abuse of funds provided for the aircraft rental program.

FEDERAL DEPOSIT INSURANCE CORPORATION
FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL
FEDERAL HOME LOAN BANK BOARD
FEDERAL RESERVE SYSTEM
NATIONAL CREDIT UNION ADMINISTRATION
OFFICE OF THE COMPTROLLER OF THE CURRENCY

The Federal Structure for Examining Financial Institutions Can Be Improved (GGD-81-21, 4-24-81)

Budget Function: Commerce and Housing Credit: Other Advancement and Regulation of Commerce (0376)
Legislative Authority: Banking Act of 1933 (12 U.S.C. 1811 et seq.). Depository Institutions Deregulation and Monetary Control Act of 1980. Federal Reserve Act (12 U.S.C. 221 et seq.). National Bank Act. P.L. 95-630. P.L. 96-221. 12 U.S.C. 481. 12 U.S.C. 1725(c)(5).

Congress took a giant step to improve coordination among the Federal regulators by establishing the Federal Financial Institutions Examination Council. GAO reviewed the field office structure of the bank regulatory agencies to determine if there were inherent problems with each agency having its own national network of examiners.

Findings/Conclusions: GAO identified problems with the present field office structure which include: (1) there are no field offices in some cities and separate field offices in other cities because the agencies do not share their examining capabilities or colocate their field offices; (2) high costs are incurred in examining some banks because of the scattered distribution of financial institutions which each agency examines; (3) the agencies have experienced some difficulties in managing their examination workload; and (3) many examiners have to travel quite extensively. This frequent travel creates an undesirable quality of life which results in high turnover and makes it difficult to maintain an experienced staff. GAO believes that consolidation of the Federal regulatory agencies' examiner forces is a reasonable solution to overcome the inherent problems of each agency maintaining separate networks of examiners.

Recommendations: The Federal Financial Institutions Examination Council should establish a task force to determine the feasibility of consolidating the examination forces of the Federal regulatory agencies. The Board of Directors of the Federal Deposit Insurance Corporation, the Board of Governors of the Federal Reserve System, and the Comptroller of the Currency should establish procedures for making periodic evaluations of their internal organizational structure and take actions to realign their field structure whenever opportunities exist to improve the dispersal of their examiner forces. The Federal Financial Institutions Examination Council should prepare a plan, including proposed legislation, whereby bank examinations would be conducted, to the extent feasible, by the closest Federal regulatory agency.

Agency Comments/Action

The Federal Financial Institutions Examination Council and the five member agencies did not favor the GAO recommendations to prepare plans to share or consolidate examiners nor did they indicate any plans to further consider the recommendations. The Council said that the development of plans for the exchange and consolidation of examiners would confront numerous practical and institutional obstacles and, more importantly, raised a number of fundamental supervisory questions that had yet to be addressed.

GENERAL SERVICES ADMINISTRATION
OFFICE OF MANAGEMENT AND BUDGET

Review of GSA's Acquisition of ADP Resources (AFMD-81-15, 10-24-80)

Budget Function: Automatic Data Processing: Security of ADP Systems (1011)
Legislative Authority: P.L. 92-313.

In March 1972, the General Services Administration (GSA) awarded a fixed-price requirements-type contract known as the National Teleprocessing Services (NTS) contract. This contract was a mandatory source for all Government users requiring teleprocessing services and consisted of interactive timesharing and remote batch access to a data base under a nationwide teleprocessing network. The initial contract period, subject to annual renewals, was not to exceed 54 months. However, almost twice this initial contract period has passed, and current extensions run to 1981 and 1983 for two dedicated systems. In October 1974, GSA contracted for a sole-source, 12-month lease of a dedicated teleprocessing system exclusively for the Federal Building Fund accounting system. To insure that dedicated service would be available for the accounting system without disruptions in processing, GSA modified the NTS contract. To enhance competition within the automatic data processing (ADP) teleprocessing services environment, GSA established the Teleprocessing Services Program (TSP). It issued a directive to all Federal agencies that the TSP would become the mandatory means by which Federal agencies would acquire commercial teleprocessing services. However, GSA exercised the options of its own NTS contract by extending it once more, even though all other Federal agencies were required to use the TSP program. GSA has been developing a long-range plan to replace its in-house ADP equipment because this equipment is outdated and inadequate to meet increasing data processing requirements. Until a fully competitive procurement can be executed and the internal ADP systems can be converted to the newly acquired resource, GSA has determined that it still requires the NTS dedicated systems.

Findings/Conclusions: It is believed that the two GSA dedicated systems under the NTS contract can be competitively replaced before the expiration of the current extensions. GSA has stated that the requirements for these systems already have been identified for inclusion in the request for proposals for the planned long-range procurement. Therefore, GSA should have sufficient time to complete both systems, rather than continue to extend the contract.

Recommendations: The Administrator of GSA should (1) not exercise the GSA option to extend the NTS INFONET contracts beyond their current expiration dates; and (2) take prompt action to insure that the current NTS INFONET workload will be processed by competitively awarded contracts when the current NTS INFONET contract extensions expire and until the planned long-range ADP resource is acquired.

Appropriations Committee Issues

GSA funding for ADP services.

VARIOUS DEPARTMENTS AND AGENCIES

GENERAL SERVICES ADMINISTRATION
OFFICE OF PERSONNEL MANAGEMENT

Special Travel Benefits for Federal Employees in Hawaii, Alaska, and Similar Areas Outside the Continental United States Should Be Changed
(FPCD-76-65, 3-2-77)

Budget Function: General Government: Central Personnel Management (0805)
Legislative Authority: P.L. 83-737. 5 U.S.C. 5728(a). 5 U.S.C. 5723.

Some Federal employees and their families located in States, territories, and possessions outside the continental United States receive periodic Government-paid trips back to their former residences. The law (Public Law 83-737) authorizing these special travel benefits was enacted over 20 years ago to provide a recruiting incentive for Federal employment in such areas. Since then the cost of providing these benefits has grown to several million dollars annually. Conditions in these areas (where most Federal employees are located) have changed considerably since enactment of the law. However, Federal administrators are not authorized under the law to terminate or adjust the benefits. GAO recommended that Congress amend Public Law 83-737 to: (1) authorize Federal administrators, within guidelines prescribed by the General Services Administration (GSA) and the Civil Service Commission, to offer special travel benefits only when they determine it necessary to further the recruitment and retention of qualified personnel, and (2) limit the number of years that employees may continue to receive special travel benefits, except for special instances where there is a demonstrated need to provide the benefits on a continuing basis.

Recommendations: Reemployment benefits should be offered only when it is deemed necessary to further the recruitment and retention of qualified personnel, and limit the number of years that employees may continue to receive reemployment travel benefits, except for specific instances where there is a demonstrated need to provide the benefits on a continuing basis.

Agency Comment/Action

Both GSA and the Civil Service Commission (now the Office of Personnel Management) generally agreed that changes in the law to provide greater flexibility would be desirable.

Appropriations

Personnel salaries and expenses - Government-wide

Appropriations Committee Issues

Special travel benefits for certain Federal employees and their families located in nonforeign areas cost the Government several million dollars annually. Although conditions have changed considerably since enactment of the law which authorizes these benefits, the law provides no authority to adjust or terminate such benefits when warranted.

GENERAL SERVICES ADMINISTRATION
OFFICE OF PERSONNEL MANAGEMENT

Review of General Services Administration's Acquisition of ADP Resources (AFMD-81-21, 12-17-80)

Budget Function: Automatic Data Processing (1001)
Legislative Authority: OMB Circular A-109.

GAO reviewed the plans of the General Services Administration (GSA) to acquire automatic data processing (ADP) resources and further extend the interim sole-source procurement of the Computer Sciences Corporation (CSC) INFONET contracts for teleprocessing services. It also reported on its findings on the long-range GSA plan to acquire ADP resources to support its internal data processing requirements and its concerns with GSA plans to remove certain ADP applications from CSC.

Findings/Conclusions: GAO has concluded that GSA has not conducted its acquisition of ADP resources in accordance with OMB Circular A-109 under which a competitive demonstration of alternative system design concepts submitted by vendors should be performed. Vendors are submitting proposals to support current applications without knowing what the redesigned system will look like. GSA will not meet its current milestones for acquiring its long-range ADP resources. Congress has been concerned about the continued reliance by GSA on sole-source, noncompetitive extensions of CSC contracts. GSA suspended CSC from future contracting and subcontracting with them as a result of an FBI investigation. It will not award a contract to the firm for any new business pending the completion of legal proceedings. It seems likely that the acquisition of ADP resources will not be completed to transfer the financial system from CSC by the date of contract expiration. In this developing emergency situation, GSA should consider other alternatives to support its financial system such as the use of other Federal facilities to process GSA financial system applications. GSA should take immediate action to transfer a scaled-down version to one of these facilities. Also, commercial time-sharing could be used as a method for GSA to terminate its dependent support with CSC.

Recommendations: The Administrator of GSA should immediately act to terminate the current long range plan to acquire ADP resources to support GSA internal systems and remain at the Macon facility until the long-range procurement can be properly conducted in accordance with OMB Circular A-109 and other Federal regulations. The Administrator of GSA should (1) act jointly with officials of the Office of Personnel Management to expand the Federal Data Processing Center at Macon, Georgia, and begin redesign and implementation of the financial system for processing on the equipment at Macon; and (2) initiate action to complete conversion of the PBS system to Macon before March 31, 1983. The Administrator of GSA should immediately plan to scale down the financial system and ascertain if processing capability is available elsewhere in Government to handle this system. If scaling down is feasible, GSA should arrange transfer of the reduced financial system to another Federal computer to assure continuity of critical processing, cancel the plan for the second upgrade of the IBM-compatible equipment at the National Capitol Region, and cease the redesign of the financial system, for processing on this equipment.

Appropriations

Automatic data processing - General Services Administration

Appropriations Committee Issues

GSA funding for ADP.

INTERSTATE COMMERCE COMMISSION
SECURITIES AND EXCHANGE COMMISSION

Accounting Changes Needed in the Railroad Industry
(AFMD-81-26, 2-4-81)

Budget Function: Financial Management and Information Systems: Regulatory Accounting Rules and Financial Reports (1106)
Legislative Authority: Staggers Rail Act of 1980 (P.L. 96-448). Railroad Revitalization and Regulatory Reform Act of 1976 (P.L. 94-210). P.L. 96-613.

Betterment accounting is the method that railroads are required to use to account for the track structure in reports to the Interstate Commerce Commission (ICC), and it is generally used in reports to the Securities and Exchange Commission (SEC) and stockholders. Under betterment accounting, the original cost of the track structure is added to the asset account, and no systematic depreciation is taken.

Findings/Conclusions: The use of a depreciation accounting system by the railroad industry would improve expense recognition and net income determinations, improve balance sheet presentations, and enhance comparability of financial information between railroads. These improvements would assist Congress in deciding regulatory and subsidy questions for the industry and would aid Federal agencies in exercising regulatory responsibilities. In addition, depreciation accounting would help shippers in assessing rates and investors in making financial decisions. Since the industry's net income will probably be greater if it uses depreciation accounting, concern has been expressed over the resulting increase in Federal income taxes. However, legislation has been proposed which would mitigate the impact of higher taxes on railroads.

Recommendations: The Commissioners of SEC should (1) complete the April 1977 Advance Notice of Proposed Rulemaking on railroad accounting by adopting depreciation accounting for the track structure; and (2) complete the study of deferred maintenance reporting covered by the April 1977 Advance Notice of Proposed Rulemaking, and require railroads to report deferred maintenance information which fulfills SEC needs yet does not conflict with ICC requirements. The Commissioners of ICC should (1) complete the October 1978 Advance Notice of Proposed Rulemaking and adopt depreciation accounting for the tract structure; and (2) coordinate future changes in deferred maintenance reporting requirements with SEC to guard against conflicting requirements being placed on the railroad industry.

Agency Comments/Action

ICC and SEC generally agreed with the GAO conclusions. In June 1981, ICC issued a notice of proposed rulemaking to adopt depreciation accounting for track structures. In commenting on the final report, SEC stated that action on depreciation accounting and disclosure of maintenance information by railroads should be deferred until ICC has taken final action on whether railroads should be required to adopt depreciation accounting for track structures.

Appropriations

Interstate Commerce Commission, Bureau of Accounts
Securities and Exchange Commission, Office of the Chief Accountant

VARIOUS DEPARTMENTS AND AGENCIES

NATIONAL SCIENCE FOUNDATION
OFFICE OF SCIENCE AND TECHNOLOGY POLICY

The Office of Science and Technology Policy: Adaptation to a President's Operating Style May Conflict With Congressionally Mandated Assignments
(PAD-80-79, 9-3-80)

Budget Function: General Science, Space, and Technology: General Science and Basic Research (0251)
Legislative Authority: National Science and Technology Policy, Organization, and Priorities Act of 1976 (P.L. 94-282). Executive Order 12039.

GAO studied the Office of Science and Technology Policy (OSTP) to examine the extent to which OSTP has studied the 13 issues on Federal organization and management of science and technology policy, and to determine the extent to which OSTP is involved in strategic planning for science and technology. Top officials of OSTP believe that the broad legislative mandate for OSTP cannot be fully met under present conditions and operating styles within the Executive Office of the President. OSTP management and staff also believe that all their work must be tied to the existing policymaking process in the Executive Office of the President, because they have no independent control over any portion of the U.S. policymaking system. OSTP interprets its environment as requiring it to be continually active in initiating its own work and then fostering implementation of its recommendations, many of which demonstrate a strategic perspective. OSTP is most active in its extensive collaboration with the Office of Management and Budget in the research and development budget process.

Findings/Conclusions: GAO found that OSTP does not intend to prepare the mandated comprehensive survey report. This assignment to OSTP placed a large burden on OSTP and significantly increased its responsibilities without increasing its resources. The small and active OSTP has produced no comprehensive report but a list of its many activities, categorized according to the 13 issue areas. The OSTP staff attempts to give a strategic perspective to considerations of topical or mission issues, such as energy and space. OSTP believes that it is not feasible to do more comprehensive strategic planning and remain effective in the Executive Office of the President. It seldom studies the relationships of issues in the whole context of science and technology in society; instead, it usually focuses on a particular mission issue in isolation from its interactions with other national concerns. The small size of OSTP and its perceptions of the operating style of the President and the President's senior advisors inhibit its further involvement in comprehensive strategic planning. GAO believes that, within existing constraints, OSTP can establish a systematic and formal mechanism for identifying long-range emerging issues and for providing a detached perspective in screening outside proposals for the OSTP agenda. Both OSTP and the National Science Foundation are taking steps to improve communication in planning and preparing the Annual Report and the Five-Year Outlook.

Recommendations: The Director of OSTP should prepare the comprehensive report originally mandated by Title III of Public Law 94-282, or suggest legislation for Congress to relieve OSTP of this mandate. It should establish some formal mechanism for providing a detached view of issues for its agenda. The mechanism should help OSTP identify emerging issues, screen the many external suggestions for OSTP work, examine interrelationships among issues, and suggest priorities. It should take greater initiative in selecting issues for the Annual Report and the Five-Year Outlook.

Agency Comments/Action

OSTP believes that it has met its mandate by working on the issues individually, and has submitted a list of studies and actions categorized by the 13 issues which were to have been addressed in the comprehensive report.

Appropriations

Science and technology policy - Executive Office of the President, Office of Science and Technology

Appropriations Committee Issues

OSTP does not intend to prepare the comprehensive survey report mandated by Title III of P.L. 94-282. The report was initially assigned to a President's Committee on Science and Technology. Congress approved a Reorganization Plan abolishing the Committee, and Executive Order 12039 transferred the responsibility for the report to OSTP. GAO recommended that the Director of OSTP should either prepare the report mandated by Title III, or suggest legislation for Congress to relieve OSTP of this mandate.

VARIOUS DEPARTMENTS AND AGENCIES

OFFICE OF MANAGEMENT AND BUDGET
OFFICE OF PERSONNEL MANAGEMENT

Need To Better Control Federal White-Collar Job Classifications
(FPCD-75-173, 12-4-75)

Budget Function: Central Personnel Management (0805)
Legislative Authority: The Classification Act of 1949, as amended (5 U.S.C. 5101).

In 1974 the Government paid $18 billion in salaries to 1.3 million employees under the General Schedule, its chief category of white-collar workers. In order that these employees may receive equal pay for equal work, the Government classifies General Schedule positions according to duties, responsibilities, and qualifications. GAO reviewed the Civil Service Commission's administration of the Federal classification program and selected agencies' administration of their position classification responsibilities. Weak controls and pressures exerted on job classifications had resulted in overgraded Federal positions which increase costs and adversely affect employee morale and productivity. In a report to the Congress, GAO concluded that top Federal management must make a commitment to improve job classifications and to organize the workload of Federal departments and agencies more economically. This attitude must permeate all Government echelons. GAO recommended that the President issue a directive to the heads of Federal agencies, emphasizing the importance of position management and classification and the need to develop at all management levels a special, informed interest in economically structuring work and properly classifying positions.

Recommendations: Agency heads should: (1) establish adequate, effective position management and classification systems; (2) have managers periodically attend training programs on position management and classification; (3) evaluate managers on how well they carry out their classification responsibilities; and (4) provide adequate numbers of trained classifiers. In addition, CSC should keep pressure on agencies to establish their own personnel management evaluation systems, assess the adequacy of such systems, and require improvement where necessary. He should monitor the effectiveness of actions being taken to improve the CSC own evaluations of agencies' classifications. Effective evaluations should include identifying overgrading, determining the underlying causes of classification errors, taking firm stands on issues, making prompt followup on agency corrective actions and, when necessary, certifying positions or revoking classification authority. CSC should also implement the plan to update classification standards and follow it with a timely and well-controlled review cycle to ensure that standards are kept current.

Agency Comments/Action

CSC and OMB developed and issued a Presidential directive, May 27, 1976, to agency and department heads emphasizing effective position management and classification systems and adequate numbers of competent classifiers. Since then, Executive Branch reorganizations and increased classification audit activity by some departments and agencies brought attention to the need for improvement in classification accuracy. To permit managers to classify their positions correctly without hurting the incumbents, and thereby encourage improved classification accuracy, certain grade and pay retention provisions were incorporated into the Civil Service Reform Act of 1978 (CSRA). OPM will measure and assess the changes in classification accuracy as a result of CSRA.

Appropriations

Salaries and expenses - Government-wide

Appropriations Committee Issues

The Committees should direct the departments and agencies to establish effective position management and classification systems, train and evaluate managers in classification, provide adequate numbers of trained classifiers, and have adequate personnel management evaluation systems. The Committees should direct the Office of Personnel Management (OPM) to keep pressure on agencies to ensure effective personnel management evaluations, make sure that actions taken to improve OPM evaluations are effective, and update classification standards.

DEPARTMENT OF AGRICULTURE

A Framework and Checklist for Evaluating Soil and Water Conservation Programs (PAD-80-15, 3-31-80)

Budget Function: Natural Resources and Environment (0300)
Legislative Authority: Soil and Water Resources Conservation Act of 1977 (P.L. 95-192).

As a part of its continuing oversight assistance, GAO developed a checklist of questions for Congress to use in the oversight of the Department of Agriculture's (USDA) soil and water conservation programs. These questions and guidelines provide a systematic framework which can be used by USDA in conducting evaluations and for reporting information which is relevant in determining that soil and water conservation programs are meeting needs in an effective and efficient manner. Although this framework was developed with particular programs in mind, it is believed that this approach can be applied to other USDA programs and to programs of other departments and agencies.

Findings/Conclusions: The evaluation framework lays out questions and guidelines for identifying program purposes and objectives based on the problems which the programs are intended to solve. The questions and guidelines are intended to be based upon decisions that must be made regarding soil and water conservation programs by Congress and its committees, the Office of Management and Budget, USDA, and other groups and individuals who must decide whether to install or adopt a conservation practice. Ideally, the guidelines and any answers would first be used for program management and then in the budget process. The questions and guidelines were designed to establish a long-term framework for evaluating the performance of soil and water conservation programs. Because the questions are so complex, the framework will have to be adopted gradually, after a systematic analysis of the value and validity of each question. This analysis should determine what data is required, how it will be gathered and used, and how much the data-gathering system will cost.

Recommendations: USDA should develop a plan leading to an evaluation system covering all soil and water conservation programs. In developing this plan, USDA should determine the relevance of the questions included in the evaluation framework. In particular, the evaluation plan should identify the importance of these questions for program management and reporting program progress. USDA should also include in its annual report required by the Soil and Water Resources Conservation Act of 1977, statements on its progress and difficulties in trying to incorporate evaluation concepts into its management and reporting processes. Where evaluations are needed, Congress should work with agency officials to seek a common understanding on program objectives and acceptable performace measures and data for each program. In view of the complexity of this evaluation framework, implementation of the recommended evaluation plan will be incremental and can be expected to undergo many evolutionary changes. Therefore, Congress should review the evaluation plan and any reporting specifications so that information reported is as useful as possible in making decisions and setting budgets for these programs.

Agency Comments/Action

In the comments included in the report, USDA stated that it has already initiated actions which would satisfy the recommendations. In its followup letter, USDA said that it was developing such a plan. However, after the plan was developed by a working group, no further steps were taken. GAO assisted the Senate Committee on Appropriations in drafting a letter from Senator Thomas F. Eagleton, Chairman, Subcommittee on Agriculture, Rural Development and Related Agencies, to the Honorable Bob Bergland, Secretary of Agriculture, requesting him to reorient agency evaluation efforts.

Appropriations

Soil and water resources conservation and planning and analysis - Department of Agriculture

Appropriations Committee Issues

GAO recommended that USDA develop a plan leading to an evaluation system covering all soil and water conservation programs, taking into account the issues raised in this report. This has not been done.

DEPARTMENT OF AGRICULTURE

An Assessment of Parity as a Tool for Formulating and Evaluating Agricultural Policy (CED-81-11, 10-10-80)

Budget Function: Agriculture: Farm Income Stabilization (0351)
Legislative Authority: Soil Conservation and Domestic Allotment Act (49 Stat. 1148). Agricultural Marketing Agreement Act of 1937 (50 Stat. 246). Agricultural Adjustment Act (48 Stat. 32). Agricultural Adjustment Act of 1938 (52 Stat. 31). Agricultural Act of 1948 (62 Stat. 1248). Agriculture and Consumer Protection Act of 1973 (87 Stat. 221). United States v. Butler, 297 U.S. 1 (1936). Stewart Machine Co. v. Davis, 301 U.S. 548 (1937).

The essence of U.S. farm policy has been to provide a certain level of economic security to the farm sector through various Government programs. Until 1973, these programs were linked to parity, a measure of the purchasing power of farm commodities today in relation to their purchasing power during the base period of 1910 to 1914. Although most programs are now linked to costs of production, policymakers and others still regard parity as a barometer of the economic health of the agricultural sector.

Findings/Conclusions: There is much confusion as to the meaning and usefulness of parity. Parity is still a rallying point for many of today's farmers. Government price support programs have been, and some still are, linked to parity although the support levels have never been 100 percent. They have ranged up to 90 percent. Parity is useful as a barometer or indicator of certain aspects of economic well-being. Changes in the parity ratio have tracked structural changes, changes in farmers' margins on a per unit basis, and total net farm income from marketing receipts. Parity does not adequately reflect total farm sector well-being, total personal income of farm families, or increased farm assets and equities. Parity is a broad national indicator which may or may not reflect an individual farmer's well-being. Trends in U.S. agriculture have been toward greater technological advances, declining margins, declining numbers of farms, and increasingly larger farms. No one knows whether there would be more or fewer farmers or whether consumers would be better or worse off in the long run. Congress and other policymakers need, in addition to parity, a broader framework to use in developing, analyzing, and evaluating farm policies and programs. The framework which GAO developed can be a starting point for the Department of Agriculture and others in setting up a systematic methodology for considering the impact of various policy alternatives. GAO also discusses various factors that can be considered in better targeting Government programs, and distinguishes between various farm sizes.

Recommendations: The Secretary of Agriculture should develop a comprehensive and systematic framework for policymakers to use in formulating and evaluating various policy options for U.S. agriculture.

Agency Comments/Action

Formal USDA comments on December 17, 1980, stated that "The Department is not in disagreement with the need for a comprehensive framework within which to formulate and develop agricultural policy." USDA also indicated that an implied framework was in fact in use for the decision process for any departmental policy involving the agricultural economy. However, in subsequent follow-up work, GAO has been unable to obtain formal documentation of such a framework.

Appropriations

Farm income stabilization - Department of Agriculture, Agriculture Stabilization and Conservation Service

DEPARTMENT OF AGRICULTURE

New Means of Analysis Required for Policy Decisions Affecting Private Forestry Sector (EMD-81-18, 1-21-81)

Budget Function: Natural Resources and Environment: Other Natural Resources (0306)
Legislative Authority: Agriculture and Consumer Protection Act of 1973. Cooperative Forestry Assistance Act of 1978. Soil Conservation and Domestic Allotment Act. Forest and Rangeland Renewable Resources Planning Act of 1974. Internal Revenue Code (IRC). Congressional Budget and Impoundment Control Act of 1974. Recreational Boating Safety and Facilities Improvement Act of 1980. Forest Products Act. Soil Bank Act. H.R. 4498 (96th Cong.). H.R. 4718 (96th Cong.). H.R. 5798 (96th Cong.).

GAO examined the relationship of Federal capital gains tax treatment to overall timber production and reforestation by the private sector and the production potential of nonindustrial private forest lands. The forest industry has long contended that the timber capital gains tax provision has encouraged reforestation of the Nation's private forests. However, the tax law does not require that capital gains benefits be applied to reforesting or improving management techniques. Tax benefits are based on income from timber cut rather than on what the taxpayer spends for site establishment, reforestation, and timber management.

Findings/Conclusions: Those cutting and selling timber from public forests may well be realizing capital gains benefits without contributing to long-term investments in the land or replacement stands. No source GAO contacted could provide firm evidence to support this claim. The lack of alignment between actual timber production and distribution of capital gains benefits suggests that Congress needs much better information to evaluate the effectiveness of existing tax policy. Significant tax expenditures are being made in conjunction with Federal timber sales with no real understanding as to their distributive effect. Significantly different analytical techniques, including a private sector forestry policy model or analytical framework, must be adopted to resolve these issues. There is no adequate estimate of potential timber production on privately owned land. It is likely that only a fraction of that acreage could be managed for increased timber production. Future assessments should take into account the identification of economically and biologically productive acreage, production of timber within a reasonable distance of existing or potential markets, and whether the owner's objectives support increased timber production. Congress has authorized and is considering Federal assistance for site establishment and reforestation expenses. Better cooperation is needed among organizations that provide forestry assistance.

Recommendations: Congress should support the expanded analytical capabilities which GAO called for in its recommendations to the Secretary of Agriculture. The Secretary of Agriculture should take the initiative through the Forest Service to develop a new analytical framework and expand its analytical capability to deal with tax policy, financial and technical assistance, and related considerations as they affect, especially, the performance of the timber industry in the private sector. In striving to develop this capability, GAO urges the Forest Service to take full advantage of the expertise of the Department of the Treasury, particularly in analyzing tax policy options and to elicit, to the fullest possible degree, active collaboration of the private sector.

Agency Comments/Action

Both the Forest Service and the Department of the Treasury agreed with GAO that an analytical capability is needed to assess the impact of taxes on the private timber sector. However, the Forest Service believed that the effort should be directed by an organization other than itself or the Treasury.

Appropriations

General forestry programs - Department of Agriculture, Forest Service

Appropriations Committee Issues

The Committees should consider where a tax analytical capability could be best located for the timber area.

The Department of Agriculture Can Minimize the Risk of Potential Crop Failures (CED-81-75, 4-10-81)

Budget Function: Agriculture: Farm Income Stabilization (0351)
Legislative Authority: Research and Marketing Act (60 Stat. 1082).

GAO reviewed the need for improved management of plant genetic resources to minimize crop damage due to disease, insects, or adverse weather conditions. The Department of Agriculture (USDA) has a number of programs meant to reduce the risks resulting from the vulnerability of crops.

Findings/Conclusions: Because producers use relatively few high-yielding varieties, plant vulnerability has increased over the past 50 years. A group of Federal, State, and private programs called the National Plant Germplasm System has been established to reduce vulnerability and to further improve plant varieties. However, this system lacks a sense of direction and purpose and does not have effective, centralized management. The problems experienced by the system in the collection, storage, and maintenance areas included: (1) the lack of systematic collection of new germplasm; (2) inadequate storage facilities; (3) incomplete and sporadic evaluation of the distinguishing characteristics of stored germplasm; and (4) possible permanent loss of some genetic stock which is not regularly replenished by periodic growing out of seed. Critical policy questions have not been addressed, indications are that mechanisms are inadequate, and comprehensive plans have not been made to cope with present and future problems.

Recommendations: The Secretary of Agriculture should have the system's first priority be to develop a comprehensive, long-range plan. Such a plan is essential regardless of management structure. This plan should address the following topics: (1) assessment of the genetic vulnerability of major crops by determining what planting or use trends might threaten or make these crops more vulnerable, provision for monitoring the use of inputs, such as pesticides and fertilizers, to be aware of their potential impact on vulnerability, provision for keeping closer watch on what varieties of seed are being planted, and the research efforts of private seed companies; (2) determination of the gaps in current germplasm collections in terms of availability and evaluation, and the development of objectives for collecting or otherwise acquiring needed germplasm; and (3) assurance that stored germplasm is available by making sure that the stock is evaluated, that an information system is in place so that the information can be disseminated, and that, when necessary, prebreeding is done so that desirable genetic characteristics from otherwise undesirable types are transferred into a more suitable genetic background. The Secretary of Agriculture should centralize authority over the Federal portion of the National Plant Germplasm System with that central authority having responsibility for all USDA-funded germplasm activities. We are not recommending that program activities be collapsed, but that management authority for planning, budget, and personnel be centralized, possibly within the Science and Education Administration. Until such action is taken, the major issues of genetic vulnerability and variability cannot be effectively addressed.

Agency Comments/Action

USDA has taken steps to implement the recommendations. A taskforce within USDA is developing a long-range plan for protection and enhancement of plant genetic resources. This plan is not yet complete so no evaluation has been made to determine if it is fully responsive to the recommendations. USDA has not centralized management of the Federal portion of the National Plant Germplasm System, but it has taken positive steps to increase management attention to the system by raising the reporting level of the system coordinator and designating plant germplasm as a high priority thrust area in the fiscal year 1983 budget.

Appropriations

Program management - Department of Agriculture, Agricultural Research Service

Appropriations Committee Issues

The Committees should determine if the long-range plan for plant genetic resources has been completed and implemented by the Agricultural Research Service.

DEPARTMENT OF AGRICULTURE

Department of Agriculture Needs Leadership in Managing Its Information Resources
(CED-81-116, 6-19-81)

Budget Function: Automatic Data Processing (1001)
Legislative Authority: Paperwork Reduction Act of 1980 (P.L. 96-511). Privacy Act of 1974 (P.L. 93-579). H.R. 6410 (96th Cong.). S. 1411 (96th Cong.). S. Rept. 96-930. H. Rept. 96-835.

In response to a congressional request, GAO reviewed the effectiveness of the Department of Agriculture's (USDA) computer and information system resources. It also evaluated the USDA automatic data processing (ADP) organization and structure, management functions, and security activities.

Findings/Conclusions: Although many problems have been identified in the USDA management and use of information resources, little has been done to solve these problems. The current ADP office acts more as a coordinator and advisory office than as the manager of critical information resources. It does not have the required authority to ensure effective and efficient management and use of information resources. Nor does it have authority over agency in-house development efforts. In enacting the Paperwork Reduction Act of 1980, Congress mandated that each agency appoint a single senior official with the authority and responsibility for ensuring effective and efficient information resources management. If effectively implemented, the Act should materially improve the USDA information resources management (IRM). Development, conversion, and maintenance of applications software is ineffective because generally accepted management practices are not followed. Frequently, agencies do not prepare requirements analyses, cost/benefit studies, or comprehensive plans. Nor are full-time project managers with authority, responsibility, and accountability always assigned to software projects. Users of four USDA computer centers are dissatisfied with availability, accessibility, and response times. Too little emphasis has been placed on ADP security. Lack of a comprehensive planning process has resulted in inefficient and ineffective use of information resources that has contributed to huge cost overruns for six large software projects.

Recommendations: The Secretary of Agriculture should establish a seperate, central IRM office headed by the senior official. The Secretary of Agriculture should designate the USDA senior offical an assistant secretary or equivalent level. The Secretary of Agriculture should direct the senior official in carrying out his information activities to develop and implement a USDA-wide IRM program. The Secretary of Agriculture should issue a memorandum to agency heads describing the responsibilities and authority of the senior official with specific attention to the senior official's authority over agencies' IRM activities. The Secretary of Agriculture should include as part of the IRM office such IRM-related subcomponents as deemed necessary for the senior official to carry out his responsibilities. The Secretary of Agriculture should establish a top-level USDA steering committee or similar group of agency representatives to provide the senior official with advice and recommendations on policy and other significant IRM matters. The Secretary of Agriculture should issue a memorandum to agency heads stressing the need for involving top management in information resources management and in the activities of the USDA steering committee. The Secretary of Agriculture should establish, under the direction of the senior official, a management assistance center for computer software and systems development. The Secretary of Agriculture should direct the senior official to establish formal procedures and policies for software maintenance activities and for life-cycle ADP cost accounting. The Secretary of Agriculture should direct USDA agencies and offices to establish central information management units subject to the senior official's review and approval. The Secretary of Agriculture should direct the senior official appointed under the Paperwork Reduction Act to establish a computer performance management program, including objectives for user service levels; uniform reporting on performance, capacity, and utilization; and standard operating procedures related to efficient use of computer center resources. The Secretary of Agriculture should direct the senior official appointed under the Paperwork Reduction Act to develop, implement, and enforce procedures for workload forecasts. The Secretary of Agriculture should direct the the senior official appointed under the Paperwork Reduction Act to require user organizations to provide computer centers with timely and complete workload forecasts for use in the Computer performance management program. The Secretary of Agriculture should direct the senior official designated under the Paperwork Reduction Act to vest USDA security officers with sufficient authority to enforce security regulations over information resources and ADP facilities. The Secretary of Agriculture should direct the senior official designated under the Paperwork Reduction Act to develop USDA-wide guidelines for a comprehensive IRM planning process. The Secretary of Agriculture should direct the senior official designated under the Paperwork Reduction Act to direct the agencies to adapt their planning processes to guidelines developed by the senior official. The Secretary of Agriculture should direct the senior official appointed under the Paperwork Reduction Act to conduct a postimplementation review to determine whether the National Finance Center (NFC) should continue managing its computer center. If the review shows NFC should not, responsibility for managing the computer center should be returned to a central office. The Secretary of Agriculture should direct the senior official designated under the Paperwork Reduction Act to include, as part of the periodic reviews of information management activities required by the Paperwork Reduction Act, evaluations of agencies' compliance with USDA security regulations. The Secretary of Agriculture should provide the senior official with clear authority over agency software projects. This authority would require agencies to submit to the senior official the following documents and data for software projects meeting established dollar thresholds: (1) feasibility studies, cost/benefit analyses, and user requirements analyses; (2) comprehensive project plans that include milestones and dates and identify project managers; (3) procedures that will be used to monitor the project's progress and track its costs; and (4) progress reports showing percent of completion and costs to date, and estimated time and cost to complete the project.

Agency Comments/Action

The Agency had not responded as of August 27, 1981. In line with the House Government Operations Committee's wishes, GAO did not obtain comments on this report. The report was released to the public on July 20, 1981. A written statement on actions taken on the GAO recommendations is required to be submitted to the Senate Committee on Governmental Affairs and the House Committee on Government Operations not later than 60 days after the report is released.

Appropriations

Information resources management - Department of Agriculture

Appropriations Committee Issues

The Committees should consider the efficient use of the growing USDA investment in information resources.

DEPARTMENT OF AGRICULTURE

Long-Range Planning Can Improve the Efficiency of Agricultural Research and Development (CED-81-141, 7-24-81)

Budget Function: Agriculture: Agricultural Research and Services (0352)
Legislative Authority: Agricultural Research, Extension, and Teaching Policy Act (National). Food and Agriculture Act of 1977 (P.L. 95-113). P.L. 96-362. H.R. 2561 (97th Cong.).

GAO reviewed the long-range planning for agricultural research and development which is being conducted by the Department of Agriculture, other affected agencies, and the States.

Findings/Conclusions: GAO found that the U.S. agricultural research and development system does not perform national long-range planning which would meet generally accepted definitions of such planning. The key participants in the system engage in long-range planning only to a very limited extent. No rationale for long-range planning has been developed, and past planning efforts have not resulted in long-range plans. Currently some planning, but not long-range planning, is occurring. Many of the parties in the agricultural research and development system support the concept of national long-range planning, but a number of factors inhibit such planning. The States and the Department of Agriculture work together, coordinate research, and exchange extensive amounts of information. These efforts are independently managed and planned. The challenge of potential food shortages in the future make long-range planning more and more essential. The long-range planning that does occur is done almost exclusively by Agriculture and focuses on inhouse research. Current planning efforts deal primarily with short-term or operational planning. The authority and management for individual research projects is split among Federal, State, local, and private authorities. This fact, frequent changes in departmental leadership, and limited executive interest and guidance make long-range planning extremely difficult. Current agricultural research is not directed or influenced by a long-range plan.

Recommendations: The Secretary of Agriculture should develop an agencywide long-range plan for agriculture research and development.

Agency Comments/Action

The 60-day letter has not yet been received from the agency.

Appropriations

Research and development - Department of Agriculture, Agricultural Research Service

Appropriations Committee Issues

The Department should be able to identify the interrelationships of individual research areas and be able to demonstrate that research done by or sponsored by the Department is addressing food and fiber needs, both for immediate and future needs. In turn, this process should provide primary input into research portions of the Department's budget.

AGRICULTURAL COOPERATIVES SERVICE

Family Farmers Need Cooperatives--But Some Issues Need To Be Resolved (CED-79-106, 7-26-79)

Budget Function: Agriculture: Agricultural Research and Services (0352)
Legislative Authority: Clayton Act (15 U.S.C. 17). Capper-Volstead Act. 7 U.S.C. 291. Cooperative Marketing Act of 1926 (7 U.S.C. 451). Farm Credit Act (12 U.S.C. 2001, 2128 et seq.). Agricultural Adjustment Act. Agricultural Marketing Agreement Act of 1937 (7 U.S.C. 601, 608c).

Farmers still face some of the same problems they faced in the 1920's and 1930's when legislation first allowed them to form cooperatives to compete more effectively in the agricultural system. The overall trend in American agriculture has been one of increasing concentration marked by a decrease in the number of farms and an increase in average farm size, a greater share of total gross farm income going to large farms, and a larger portion of agricultural products handled by a smaller number of suppliers. Although cooperatives have grown in size and market share, they are still much smaller than some other businesses that compete with them in such markets as grains, fruits and vegetables, dairy products, poultry and eggs, and feed.

Findings/Conclusions: Cooperatives are an integral part of the agricultural structure. They provide farmers with an alternative for marketing products and for procuring farm items and services. Most farmers responding to a questionnaire viewed cooperatives as increasing the income and promoting a better way of life for family farmers. According to law, the Department of Agriculture (USDA) is responsible for making sure that cooperatives do not use their advantages to unduly enhance prices. However, USDA has done little to guard against undue price enhancement and other unfair practices. If USDA retains the regulatory function, it needs to establish a system to monitor cooperative activities and to take enforcement action where warranted. An emerging issue is corporate membership in cooperatives. Nonfamily farm corporations have joined cooperatives and enjoyed benefits that Congress intended mainly for family farmers. Another issue of major concern to farmers is the failure of many cooperatives to retire systematically the retained earnings owed their members. The failure to retire retained equities in a timely manner can affect farmers' participation in cooperatives.

Recommendations: The Secretary of Agriculture should: establish an enforcement and monitoring system so that cooperatives do not use monopolistic or other unfair trade practices to raise prices unduly; develop a set of cooperative conduct principles with the Federal Trade Commission and the Department of Justice; include specifically tailored conduct principles as terms and conditions in all future marketing orders, unless they are not warranted by marketing conditions; require that a national campaign be conducted to motivate cooperatives to adopt equity redemption programs that are fair to current and former members; and require that plans for assisting new and developing cooperatives be coordinated among responsible agencies before additional field offices are established. If Congress decides to limit participation of nonfamily farm corporations, the following four options should be considered: (1) ban corporate membership in cooperatives, (2) limit corporate membership to a certain percent of the cooperative's volume of business or membership equities, (3) ban corporate representation on cooperative boards of directors, or (4) limit corporate membership to a certain percent of the cooperative's volume of business or membership equities and ban corporate representation on cooperatives' boards of directors.

Agency Comments/Action

USDA said that it was establishing a formal enforcement and monitoring system and that it had started a national educational campaign on equity redemption programs for cooperatives. It also described procedures that would be followed before additional field offices are established. USDA also indicated that it was taking action to provide more precise definitions of exempt and nonexempt cooperative activities, which would assist in clarifying what is in excess and, thus, possibly prevent monopolization or restraint of trade. It said, however, that it would not develop and include specific conduct principles as terms and conditions in marketing orders because, as the Federal Trade Commission and the Department of Justice had pointed out, the illegality of specific practices depends on competitive conditions of the market. Because marketing orders have a great influence on competitive conditions, GAO believes that specifically mentioning in the marketing orders the practices that are prohibited would serve as a reminder to the cooperatives and give them more specific notice of practices that could incur legal action. This could discourage cooperatives from engaging in such practices and would provide a more effective basis for taking administrative or legal action should such practices occur. Moreover, a comprehensive set of conduct principles jointly developed by the three oversight agencies should help to clarify the now-confusing Federal policy regarding cooperatives and thereby allow cooperatives to serve family farmers better.

Appropriations

Salaries and expenses - Department of Agriculture, Agricultural Cooperatives Service

Appropriations Committee Issues

The Committees should require USDA to fully justify the need for any additional funds that may be requested for establishing the enforcement and monitoring system, conducting a national educational campaign on equity redemption programs, or setting up additional field offices. It should also ascertain the status of USDA efforts to develop more precise definitions of exempt and nonexempt practices and what methods USDA plans to use to provide such information to the cooperatives.

DEPARTMENT OF AGRICULTURE

AGRICULTURAL MARKETING SERVICE
AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE
COMMODITY CREDIT CORPORATION

More Can Be Done To Protect Depositors at Federally Examined Grain Warehouses (CED-81-112, 6-19-81)

Budget Function: Agriculture: Farm Income Stabilization (0351)
Legislative Authority: Warehouse Act (7 U.S.C. 241 et seq.). Bankruptcy Reform Act of 1978. S. 1365 (97th Cong.). H.R. 2523 (97th Cong.). H.R. 2926 (97th Cong.). H.R. 2593 (97th Cong.). H.R. 2582 (97th Cong.).

The Department of Agriculture administers a voluntary licensing and examination program under the Warehouse Act. In addition, Agriculture sets requirements for and examines contract warehouses storing commodities owned by the Commodity Credit Corporation (CCC) or pledged to CCC as loan collateral. GAO reviewed the Department of Agriculture's grain warehouse examination programs. To avoid duplication of other ongoing studies, GAO limited the examination to the magnitude of the bankruptcy problem to date, the number of warehouses in financial difficulty, ways the current Federal programs could be strengthened, and issues that should be considered in evaluating certain possible program and legislative changes.

Findings/Conclusions: GAO found that about 2 percent of the Nation's approximately 10,000 grain warehouses went bankrupt over the past 7 years. Financial formulas for predicting bankruptcies in certain industries have been developed and tested successfully. The GAO self-developed criteria, although not designed to measure future bankruptcies, indicated that a significant number of grain warehouses may be in financial difficulty, an estimated 300 warehouses subject to Federal examination. While this estimate does not mean 300 bankruptcies are likely in the near future, it is a cause for concern in light of the much lower rate of bankruptcies to date. Federal warehouse examinations are designed to protect depositors primarily by ensuring that a warehouse has enough grain of the proper quality to meet all storage obligations. The two weaknesses that hamper efforts to accurately determine these obligations are (1) the practice of not issuing warehouse receipts for all storage grain; and (2) the lack of control over printing and distribution of warehouse receipts in certain States. Many States do not control the printing and distribution of receipts. As a result, examiners cannot be sure that they have accounted for all receipts when examining nonfederally licensed CCC contract warehouses in those States. Agriculture requires operators to submit certain financial data at least annually but does not require certified statements.

Recommendations: The Secretary of Agriculture should direct the Administrator of the Agricultural Marketing Service to develop and implement a predictive formula for grain warehouse bankruptcies. This formula would be useful in determining the magnitude of the potential bankruptcy problem and in establishing priorities and frequencies for Federal examinations. It should be developed before USDA decides what actions to take on threatened insolvencies. The Secretary of Agriculture should direct the Administrator of the Agricultural Marketing Service to require that it provide warehouse operators with specific written instructions on how to complete required financial forms. The Secretary of Agriculture should direct the Administrators of the Agricultural Marketing Service and the Agricultural Stabilization and Conservation Service to require that all federally licensed and CCC contract grain warehouses give depositors warehouse receipts for all storage grain as soon as is practicable after delivery is completed. The Secretary of Agriculture should direct the Administrator of the Agricultural Stabilization and Conservation Service to ensure that all CCC contract grain warehouses use warehouse receipts that can be accounted for during Federal warehouse examinations. Ways of doing this include: (1) encouraging States with insufficient controls over the printing and distribution of warehouse receipts to upgrade their requirements; and (2) requiring adequate controls as a prerequisite for obtaining a storage contract. The Secretary of Agriculture should direct the Administrator of the Agricultural Marketing Service to require that grain storage obligations reflected on warehouse customer account records be verified with a statistical sample of depositors as part of normal subsequent examination procedures employed at federally licensed and CCC contract grain warehouses. The Secretary of Agriculture should direct the Administrator of the Agricultural Marketing Service to require that it value fixed assets according to generally accepted accounting principles--cost less accumulated depreciation on depreciable assets. Warehouse operators should then be required to follow generally accepted accounting principles in filling out financial data forms submitted to the Agricultural marketing Service. The Secretary of Agriculture should direct the Administrator of Agricultural Marketing Service to require federally examined warehouses to submit the financial data necessary to compute commonly used ratios indicative of financial health. The Administrator should then require Agricultural Marketing Service personnel to compute and determine the trend of these ratios as part of their routine financial reviews.

Agency Comments/Action

The Secretary of Agriculture announced on August 3, 1981, that USDA would require operators of federally licensed and CCC contract warehouses to submit annual, unqualified financial statements prepared by certified public accountants, as recommended by the Department's Elevator Task

Force. USDA said that this requirement would make available financial data needed to formulate generally accepted ratios for consideration in developing a predictive formula and, if successful, it will use the formula as part of routine financial reviews. USDA said that the new financial statement requirement would resolve the need for specific written instructions regarding preparation of financial forms since all statements will have to be prepared in accordance with generally accepted accounting principles. USDA also said that it would: (1) require reconciliation of warehouse receipts to the unqualified certified public accountant financial statements instead of requiring CCC contract warehouses to use receipts that can be accounted for during Federal examinations; and (2) increase the number of source documents traced through warehouse records rather than verifying warehouse records of storage obligations with a statistical sample of depositors. USDA did not believe it should set a deadline for issuance of warehouse receipts. It said that many receipts likely would not be delivered to or accepted by depositors and that such receipts are more dangerous than no receipts in terms of determining a warehouse's storage obligation. USDA also maintained that considering increases in the values of fixed assets is appropriate in some cases when determining a warehouse's net worth.

Appropriations

Marketing services - Department of Agriculture, Agricultural Marketing Service
Reimbursement for net realized losses - Department of Agriculture, Commodity Credit Corporation

Appropriations Committee Issues

The Committees should follow up with the Department on the status of efforts to develop a reliable predictive formula for grain warehouse bankruptcies. This formula would be useful in determining the magnitude of the potential bankruptcy problem, which is information that should be considered in assessing the need for significant, and possibly costly, changes in other examination procedures in response to the problem. The formula would also aid in identifying individual warehouses in danger of bankruptcy and thus would be useful in establishing priorities and frequencies for Federal examinations that would make the most effective and efficient use of resources.

DEPARTMENT OF AGRICULTURE

AGRICULTURAL MARKETING SERVICE
ANIMAL AND PLANT HEALTH INSPECTION SERVICE
FEDERAL GRAIN INSPECTION SERVICE
FOOD SAFETY AND INSPECTION SERVICE

Department of Agriculture Should Have More Authority To Assess User Charges (CED-81-49, 4-16-81)

Budget Function: Agriculture: Agricultural Research and Services (0352)
Legislative Authority: Agricultural Marketing Act (7 U.S.C. 1621 et seq.). Naval Stores Act (7 U.S.C. 91 et seq.). Independent Offices Appropriations Act, 1952. Cotton Reports and Statistics Act (7 U.S.C. 473a). Tobacco Inspection Act (7 U.S.C. 511 et seq.).

The Department of Agriculture (USDA) provides a wide range of marketing and regulatory services. Marked differences exist in the degree to which recipients bear the costs of these services. As a result, certain sectors of the agricultural marketing industry are receiving preferential treatment at the taxpayers' expense.

Findings/Conclusions: If recipients were charged for all costs except those which can be readily identified with public benefits, the current inconsistencies and inequities would be eliminated and Federal appropriations could be reduced. The Department could also realize substantial savings if it were to move to a system of periodic unannounced inspections at federally inspected meat and poultry processing plants and if the plants were required to have total in-plant quality control systems. Current inconsistencies and inequities in the Department's application of user charges are caused by differences in the legislative funding provisions covering individual programs and problems in implementing user charges under the so-called User Charge Statute (title V of the Independent Offices Appropriation Act) when no specific legislative authority exists.

Recommendations: Congress should repeal the Naval Stores Act. Congress should repeal the Tobacco Seed and Plant Exportation Act of 1940. Congress should discontinue providing special appropriations to defray a portion of the supervision costs incurred in the poultry and fresh fruit and vegetable grading programs. Congress should either amend the User Charge Statute or enact new general user charge legislation to make it clear that an agency may set fees to recover the full cost of a program that primarily benefits identifiable users. Congress should amend the Warehouse Act to provide for user funding of periodic USDA examinations. The amendment should require recovery of all program costs. Congress should amend the Grain Standards Act, the Cotton Statistics and Estimates Act of 1927, and the Tobacco Inspection Act of 1935 to delete provisions that require appropriations funding and/or limit the use of user charges. Congress should amend existing legislation to authorize USDA to charge importers fees which cover all costs of inspecting and testing imported birds (both commercial and pet) and other animals. Congress should amend the Federal Meat Inspection Act and the Poultry Products Inspection Act to authorize the Secretary of Agriculture to require all federally inspected meat and poultry processing plants to develop and implement quality control systems. The Secretary of Agriculture should direct the Administrator of the Animal and Plant Health Inspection Service to charge user fees which cover the costs of phytosanitary inspections. The Administrator should do so either under the authority contained in the User Charge Statute or by seeking specific legislative authority. The Secretary of Agriculture should direct that an independent study be made to develop objective criteria for setting and adjusting fees charged for plant variety certifications. The study should determine how much of total program costs could be passed on to applicants without severely limiting participation by applicants with limited financial resources. The Secretary should then direct the Administrator of APHIS to set and periodically adjust the certification fee on the basis of these criteria. The Secretary of Agriculture should determine whether inspections of imported seed required under the Seed Act primarily benefit the seed importers. If so, the Secretary should propose to Congress amendments to the Act which would authorize user fees for the inspections. Upon enactment of the amendments, the Secretary should direct the Administrator of the Agricultural Marketing Service to develop and implement a user charge. The Secretary of Agriculture should direct that a study be made to determine the cost effectiveness of a user fee system for the USDA printed market news reports. The study should be independent, that is made by individuals who are not under the Assistant Secretary for Marketing and Transportation Services. If the study shows that the administrative problems can be resolved and that the administrative costs would not be excessive, the Secretary should implement a fee system. If not, the Secretary should forward the study to OMB for resolution of differences between USDA and Department of Commerce funding methods.

Agency Comments/Action

The Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35, Aug. 13, 1981) made the following legislative changes in line with GAO recommendations and with proposals accompanying the President's revised fiscal year 1982 budget: (1) temporarily amended the U.S. Grain Standards Act to authorize recovery through user fees of supervision and administrative costs of grain inspection and weighing services; and (2) temporarily amended the Cotton

Statistics and Estimates Act and permanently amended the Tobacco Inspection Act, U.S. Warehouse Act, and Naval Stores Act to authorize user fees for cotton classing, tobacco inspection, warehouse examination, and naval stores grading services. The Department agreed with GAO recommendations to further study and develop appropriate funding policies for market news, plant variety certifications, and imported seed inspection services. The Department said that it would complete the studies by December 31, 1981, and, if appropriate, initiate actions to implement user charges for these services. It also said it would consider user charges for phytosanitary inspections as part of an ongoing review of the funding of APHIS programs. The Department said that it would complete the studies by December 31, 1981, and, if appropriate, initiate actions to implement user charges for these services. It also said it would consider user charges for phytosanitary inspections as part of an ongoing review of the funding of APHIS programs. The Department disagreed with the GAO recommendation to discontinue special appropriations for the poultry grading program because the funds are used to defray costs of what it considers to be public benefit services.The Department said that the merits of full user fee funding of imported bird and animal inspections need to be explored more fully and that specific legislative authority for such fees would be necessary. It also said that requiring quality control systems for meat and poultry processing plants would be premature pending further results of its current voluntary program.

Appropriations

Marketing services - Department of Agriculture, Agriculture Marketing Service
Animal and plant health inspection - Department of Agriculture, Animal and Plant Health Inspection Service
Salaries and expenses - Department of Agriculture, Federal Grain Inspection Service
Inspection and weighing services - Department of Agriculture, Federal Grain Inspection Service
Salaries and expenses - Department of Agriculture, Food Safety and Inspection Service

Appropriations Committee Issues

The Committees should discontinue special appropriations for the Department's poultry and fresh fruit and vegetable grading programs. They also should monitor the Department's progress in determining and implementing appropriate user charge policies for printed market news reports, plant variety certifications, imported seed inspections, phytosanitary inspections, and imported bird and animal inspections.

DEPARTMENT OF AGRICULTURE

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

Agriculture's Set-Aside Programs Should Be Improved
(CED-80-9, 1-11-80)

Budget Function: Agriculture: Farm Income Stabilization (0351)
Legislative Authority: Food and Agriculture Act of 1977 (P.L. 95-113; 91 Stat. 913 et seq.). Agricultural Act of 1970 (84 Stat. 1358). Agriculture and Consumer Protection Act of 1973 (87 Stat. 221).

The Department of Agriculture's Agricultural Stabilization and Conservation Service's (ASCS) wheat and feed grain set-aside programs are intended to reduce expected surpluses of particular crops. In return for taking acreage out of production, producers are eligible for commodity loans and purchases as well as deficiency, disaster, and diversion payments. A review of producer compliance with the programs' requirements identified certain areas in which the effectiveness of the programs could be improved.

Findings/Conclusions: Most producers in the counties reviewed complied with the set-aside requirements. However, some were allowed to receive program benefits without fulfilling these requirements. County ASCS officials and local, farmer elected, county committees were responsible for determining compliance. To participate in the programs, producers certified their planted and set-aside acres. County ASCS officials were responsible for determining the accuracy of the certifications. Producers who certified their acreage inaccurately could be denied participation in the program, or if they had acted in good faith, assessed a monetary penalty. The programs were implemented in a short time and when staffing at the county offices was low. Criteria for good faith determinations were vague. As a result, the committees generally found that producers had acted in good faith even when the reasons given did not justify allowing them to remain in the programs. Monetary penalties were not always applied when they should have been, were not applied consistently, and were costly to administer. A stricter certification and compliance program was needed to ensure compliance, simplify program administration, and reduce county office workload. Land to be set-aside should have been part of a farm's normal crop acreage. However, GAO found several cases where the acreages did not represent the farm's normal plantings, were established contrary to instructions, or were otherwise questionable. In most of these cases, the acreages were overstated, thereby reducing the set-aside programs' effectiveness.

Recommendations: The Secretary of the Department of Agriculture should direct the ASCS Administrator to establish a strict compliance program under which producers who incorrectly certify their acreages would be denied program participation unless they are granted relief through a State and/or national appeal process, and specifically define the circumstances in which relief would be granted. This would take the place of good faith determinations and monetary penalties. In addition, the Administrator should: revise procedures to require that the adequacy of set-aside covers be documented both at the time of certification and at the time of farm inspection and that followup visits to correct any identified problems be made and documented; revise procedures to increase the number of visits made to farms having small grains as cover on set-aside acres to ensure that the cover crop is clipped prior to seed formation; and have county offices use aerial observation to assist in determining compliance where feasible and cost effective, but limit wheat and feed grain determinations, for the most part, to a random sample of farms plus other required checks. The Secretary should require the Administrator to reestablish normal crop acreages for all wheat and feed grain farms based on recent planting histories, such as those for 1977, 1978, and 1979, and ensure that all changes to established normal crop acreages are properly supported and documented and obtain annual planting data on all farms using producer certifications.

Agency Comments/Action

In its March 14, 1980, statement of actions taken on the recommendations, Agriculture said it would keep the existing compliance systems of good faith determinations and monetary penalties, but would make some rule changes effective with the 1980 programs. These rule changes were as follows: (1) county offices will accept farm operators' reports of acreage for all farms; (2) quality control of crop acreage certifications will be accomplished through a random selection method with the use of aerial observation unless ground measurement will prove more cost effective; and (3) county committees will select and check no less than 5 percent of those farms reporting small grain cover on set-aside acreage, and ASCS employees who visit any farm for inspection or measurement will also verify set-aside cover and its use and general condition and properly document the acreage report. Agriculture disagreed with the recommendation that it establish normal crop acreages for all farms on the basis of recent planting histories. According to Agriculture, a recent analysis of normal crop acreages showed that the total acreage for all farms was reasonable even though there were problems with some individual farm adjustments. It said that State ASCS representatives had been directed to review normal crop acreages in 114 counties in 27 States and take corrective action where necessary. As of September 1981, ASCS had made no further changes to its compliance system as there were no set-aside programs in 1980 and 1981. The Department is considering the use of set-aside programs for crop year 1982 and, according to Department officials, program directives for implementing these programs were developed following final approval of the 1981 farm legislation.

Appropriations

Salaries and expenses - Department of Agriculture, Agricultural Stabilization and Conservation Service
Commodity Credit Corporation Fund - Department of Agriculture, Commodity Credit Corporation

Appropriations Committee Issues

Implementing GAO recommendations would help reduce budget outlays in years when set-aside programs are in effect by making sure that only those producers who take the required amounts of normally cropped acreage out of production and who meet other program requirements remain eligible for program benefits.

DEPARTMENT OF AGRICULTURE

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

Alternatives To Reduce Dairy Surpluses
(CED-80-88, 7-21-80)

Budget Function: Agriculture: Farm Income Stabilization (0351)
Legislative Authority: Agricultural Act of 1949 (7 U.S.C. 1421 et seq.). Agricultural Adjustment Act (7 U.S.C. 624). Agriculture and Consumer Protection Act of 1973. Agricultural Marketing Agreement Act of 1937. (P.L. 96-127; 93 Stat. 981). 7 U.S.C. 1441a.

Federal dairy policies and programs are designed to assure an adequate milk supply, but the U.S. dairy industry has continually produced more milk than can be marketed commercially at established market prices. The surplus is purchased by the Government in the form of dairy products such as cheese and butter. The dairy price support program uses parity price as the standard for determining the support level and is considered to be the principal cause of surpluses. Its object is to set a support price that will (1) assure an adequate supply of milk to meet current needs, (2) reflect changes in production costs, and (3) assure a level of farm income adequate to maintain productive capacity sufficient to meet anticipated future needs. A study was made to evaluate the strengths and weaknesses of existing Federal programs and the consequences of possible new programs for controlling or minimizing surpluses.

Findings/Conclusions: Most of the rapid increase in the milk support price has resulted from the formula for computing the parity price for milk. The formula does not adequately consider many economic factors affecting milk market conditions and includes some factors which have little to do with milk production. Alternative milk-pricing standards that could help solve or reduce the surplus problem and more effectively and equitably accomplish program objectives include: a dairy parity price standard; a cost-of-production standard; and a standard based on a comprehensive formula that systematically and simultaneously considers changes in cost of production, milk product stocks, and demand. A dairy parity price standard would more closely reflect changes in factors affecting prices of dairy inputs, but would not reflect productivity increases or supply and demand factors. A cost-of-production standard would reflect the costs of producing milk and productivity increases, but would not consider supply and demand factors. A standard could be developed that would use a comprehensive formula to relate the price of milk to factors affecting supply and demand. GAO believes that such a formula could eventually be used to adjust the dairy price-support level. Since research needs to be done before this approach could be used, the basis for setting the support price could be changed to either a dairy parity price standard or a cost-of-production standard. GAO believes that the dairy parity price standard would be the least disruptive to the industry.

Recommendations: If so authorized by Congress, the Secretary of Agriculture, in conjunction with producer and consumer groups and with input from Congress, should: perform research to select factors and assign weights needed to develop a comprehensive formula that will balance the interests of producers, consumers, and taxpayers and then if appropriate, implement the formula; identify the dairy input factors and weights needed to base the support price on 100 percent of the dairy parity price, using a base period comparable with other national indexes; and establish trigger levels, based on a 12-month moving total of Commodity Credit Corporation net removals of dairy products, needed to adjust the support price. Legislation should be enacted directing the Secretary of Agriculture to perform necessary research to develop and, if appropriate, implement a comprehensive formula designed to simultaneously consider changes in milk production costs, milk product stocks, and demand; and authorizing the Secretary, until such a comprehensive formula can be developed and implemented, to (1) base the milk support price on 100 percent of the dairy parity price using a base period comparable with other national indexes, and (2) adjust the price-support level when Government purchases of dairy products exceed specified levels. Congress should establish a Federal nationwide milk producer promotion program and set the contribution rate as a percentage of sales. Also, if Congress, after considering these recommendations, decides to retain promotion programs under current Federal milk-marketing orders, it should amend the Agricultural Marketing Agreement Act of 1937 to eliminate the refund provision in Federal orders, make mandatory promotion provisions a part of all Federal orders, and set the contribution rate as a percentage of sales.

Agency Comments/Action

The Department said that the report was most timely because there was a consensus that the milk support-price program was not performing as it should, as evidenced by 1980's heavy price-support purchases and excessive Government costs. It also said that the report should make an important contribution to the ongoing discussion of dairy policy. It did not take a specific position on the recommendations to improve the present price-support standard or any of the alternative milk-pricing standards. It disagreed, however, with the recommendations to either establish a Federal nationwide producer promotion program or improve the promotion programs under current Federal milk-marketing orders. The Department proposed and, in March 1981, Congress enacted, legislation deleting the requirement that the support price of milk be adjusted semiannually.

Appropriations

Reimbursement for net realized losses - Department of Agriculture, Commodity Credit Corporation

Appropriations Committee Issues

The milk support-price has almost doubled in the past 7 years. Most of the increase resulted from the formula for computing the parity price for milk. This formula does not adequately consider many economic factors, such as costs of production and productivity, but includes some factors, such as family housing and clothing costs, which have little to do with milk production. Alternative standards for establishing milk-price support levels need to be considered which would help reduce surpluses and help balance producer, consumer, and taxpayer interests.

DEPARTMENT OF AGRICULTURE

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE
COMMODITY CREDIT CORPORATION

Farmer-Owned Grain Reserve Program Needs Modification To Improve Effectiveness (CED-81-70, 6-26-81)

Budget Function: Agriculture (0350)
Legislative Authority: Food and Agriculture Act of 1977 (P.L. 95-113; 91 Stat. 913). Food, Drug and Cosmetic Act (21 U.S.C. 301 et seq.). Grain Standards Act (7 U.S.C. 71 et seq.).

The farmer-owned grain reserve, authorized by the Food and Agriculture Act of 1977, is to encourage producers to store wheat and feed grains when they are in abundant supply and extend the time for their orderly marketing.

Findings/Conclusions: GAO and its consultants found that, during its first 2 to 3 years, the farmer-owned reserve (FOR) only partially met its objectives of increasing grain inventories in times of abundant supply, removing the Government from the role of grain storer and reducing price variability. Some reserve grain is of questionable quality, and storage payments have exceeded storage costs. As of March 18, 1981, the reserve contained about 1.22 billion bushels of wheat, corn, and other grains. The value of outstanding loans on these reserve grains was about $2.9 billion. The reserve grain cannot be sold without penalty until predetermined market price levels are reached. At release, producers may, but do not have to, remove the grain from the reserve. At call, producers must repay their loans or forfeit the grain. Most reserve grain would have been held in private stocks without the reserve. Although the reserve initially succeeded in ensuring producer ownership of reserve stocks, the Government now holds grain purchased in reaction to the Russian grain embargo. Program modifications are needed to improve the program's effectiveness. Producers had been allowed to retain unearned storage payments for an unreasonable period of time when the redemption period was extended. Program regulations have been amended to provide that interest be charged immediately following the maturity date or the originally required settlement date.

Recommendations: The Secretary of Agriculture should evaluate the effectiveness of the FOR to serve as a basis for Congress to use in making future grain policy decisions. The Secretary of Agriculture should study the feasibility of other FOR program modifications and, if they provide remedies to the problems that were found, incorporate them into the program. The Secretary of Agriculture should require the Agricultural Stabilization and Conservation Service (ASCS) to obtain official grade determinations, on a sample basis, as grain enters the FOR and on the same grain each subsequent year (where possible), to develop a profile of FOR grain and determine what characteristics are predictors of storability. The Secretary of Agriculture should require ASCS to improve its guidelines and procedures for identifying grain with quality problems serving as loan collateral and correcting or eliminating quality problems identified. The Secretary of Agriculture should amend program regulations to make them consistent with ASCS procedures which provide that storage earnings stop in all cases when a grain reaches call status. The Secretary of Agriculture should determine the average cost of FOR grain storage and limit producer storage payments to this amount. In determining the average cost of FOR grain storage, both onfarm and warehouse storage costs should be considered. The Secretary of Agriculture should provide for methodical program adjustments in response to a broad range of potential market and political developments to allow decisionmakers in grain and related industries to anticipate such changes and adjustments, while still allowing for some flexibility.

Agency Comments/Action

The Department agreed that: (1) the effectiveness of FOR should be evaluated; (2) the feasibility of other FOR program modifications should be studied and incorporated if they provide remedies to existing problems; and (3) methodical program adjustments should be provided for. The Department said that it was reviewing all aspects of FOR and that it would work with Congress to provide a workable and cost-effective program. The Department has not yet required ASCS to obtain official grade determinations, on a sample basis, as grain enters the reserve because it said that the two primary elements which increase the probability of grain storage are excess moisture and insects. Also, the Department believes that its procedures for correcting problems could be improved. In its March 1981 response to a draft of the report, the Department said that procedures for correcting problems were being expanded to require that farmers be notified when problems are found and that action be taken to eliminate the problem or the loan will be called. The Department agreed that the average cost of reserve grain storage should reflect both onfarm and warehouse storage costs; however, it has not followed through on the recommendation that it determine this cost. As of September 24, 1981, the Department had not amended program regulations to make them consistent with its procedures to stop storage earnings in all cases when a grain reaches call status.

Appropriations

Salaries and expenses - Department of Agriculture, Agricultural Stabilization and Conservation Service
Reimbursement for net realized losses - Department of Agriculture, Commodity Credit Corporation

Appropriations Committee Issues

The Committees should inquire into the status of the Department's review of the farmer-owned reserve and efforts to implement a more workable and cost-effective program. Also, the Committees should monitor the Department's efforts to improve its procedures for identifying and correcting grain quality problems and follow up on the recommendations to: (1) obtain official grade determinations, on a sample basis, as grain enters the reserve; (2) determine the average cost of reserve grain storage and use this as a basis for making storage payments; and (3) amend program regulations to reflect the changes in procedures that storage earnings stop in all cases when a grain reaches call status.

DEPARTMENT OF AGRICULTURE

ANIMAL AND PLANT HEALTH INSPECTION SERVICE

Problems Plagued Department of Agriculture's Grasshopper Control Program in 1979 (CED-80-95, 8-11-80)

Budget Function: Agriculture: Agricultural Research and Services (0352)
Legislative Authority: 7 U.S.C. 147a. 7 U.S.C. 148.

The Department of Agriculture's Animal and Plant Health Inspection Service (APHIS) did not adequately manage the program to control grasshoppers in 17 Western States in 1979. Efforts by Federal and State officials and local participants were not sufficiently coordinated. Management weaknesses reduced the ability of the local project managers of APHIS to effectively identify areas to be sprayed to control grasshoppers, schedule spraying operations at the best times, and evaluate the effectiveness of the spraying. Although grasshoppers cause economic losses in the United States each year, the 1979 infestation reached levels unprecedented since the 1930's.

Findings/Conclusions: APHIS initiated some actions to improve program management and had plans for others. These actions included: (1) developing uniform rules, information, and guidelines for nationwide use in administering and explaining the programs; (2) clarifying the responsibilities of all participants; (3) developing and conducting an annual training program for key personnel; (4) establishing a strike force of trained personnel; (5) evaluating the extent to which program benefits exceed costs; (6) establishing entrance and withdrawal deadlines for participation; and (7) encouraging the use of the best types and sizes of aircraft for each project's size and terrain. GAO believes these corrective actions will help prevent future programs from having the many problems experienced in 1979.

Recommendations: The Secretary of Agriculture should direct the APHIS Administrator to: (1) prepare a cost/benefit analysis of including cropland in the Grasshopper Control Program; (2) study the pros and cons of making participation of landowners in infested areas mandatory, including an assessment of the problems that would be encountered in implementing a mandatory program; and (3) provide the results of both studies, together with any recommended changes, to the appropriate legislative committees.

Agency Comments/Action

The Department of Agriculture did not agree, because of biological concerns rather than economic concerns, that a cost/benefit analysis should be prepared addressing the inclusion of cropland in the grasshopper control program. Agriculture said it would develop options and recommendations for the implementation of a mandatory treatment program and present them to the appropriate legislative committees for consideration.

Appropriations

Animal and plant health inspection service - Department of Agriculture, Animal and Plant Health Inspection Service

Appropriations Committee Issues

The Committees should inquire into Agriculture's progress toward improving the management and effectiveness of the grasshopper control program.

DEPARTMENT OF AGRICULTURE

ANIMAL AND PLANT HEALTH INSPECTION SERVICE

Weak Management in Animal Disease Control Program Results in Large Economic Losses (CED-81-96, 6-24-81)

Budget Function: Agriculture: Agricultural Research and Services (0352)

The U.S. Department of Agriculture (USDA) Animal and Plant Health Inspection Service is responsible for conducting regulatory and control programs to protect and improve the Nation's animal and plant resources. The Service has two basic units: Veterinary Services, and Plant Protection and Quarantine. GAO reviewed the Veterinary Service's Brucellosis Eradication Program to determine whether improvements could be made.

Findings/Conclusions: Progress in the Brucellosis Eradication Program has been impeded because several disease control measures have not been implemented effectively. Some animals sold at livestock markets and identified as infected could not be traced to their herds of origin because of inadequate control over the collection of ownership information and the identification tagging of animals. Herds were not always tested in time to assure that infection was expeditiously identified. Controls were not always used to make sure that all animals in quarantined herds were accounted for from test to test so that any infection was identified as quickly as possible. Field personnel had not always followed procedures to locate herds exposed to disease by cattle purchased from herds subsequently found to be infected. While field personnel often attributed these operational shortcomings to lack of industry cooperation or personnel shortages, GAO found that weaknesses in the management systems were a primary cause of ineffective implementation of disease control measures. The management systems do not provide assurance that field personnel and each organizational unit know what is expected of them in implementing these measures, nor do they provide guidance for measuring performance regarding these expectations.

Recommendations: The Secretary of Agriculture should direct the Administrator of the Animal and Plant Health Inspection Service to establish goals that emphasize improved implementation of disease control measures. The Secretary of Agriculture should direct the Administrator of the Animal and Plant Health Inspection Service to modify the automated data system so that it can provide summary and exception information reflecting the degree to which disease control measures are properly implemented by each organizational unit and install the automated data system in States having a high incidence of animal disease. The Secretary of Agriculture should direct the Administrator of the Animal and Plant Health Inspection Service to formulate cooperative agreements which clearly show lines of authority and responsibility for program functions at each organizational level for both State and Veterinary Services personnel. The Secretary of Agriculture should direct the Administrator of the Animal and Plant Health Inspection Service to collect and analyze information regarding the effects of extending the test period to include the recognized incubation period, including (1) any increase in the number of infected animals identified; and (2) any increase in cost to herd owners. The Secretary of Agriculture should revise the Brucellosis Eradication Uniform Methods and Rules to include dealer recordkeeping provisions as a consideration in certifying a State's disease status. The Secretary of Agriculture should direct the Administrator of the Animal and Plant Health Inspection Service to strengthen enforcement activities by (1) creating a separate line function for compliance personnel; (2) requiring closer coordination of field investigations; and (3) forming a cadre of personnel with the necessary training and experience to effectively pursue cases of improper health certifications by private veterinarians. The Secretary of Agriculture should direct the Administrator of the Animal and Plant Health Inspection Service to resubmit the USDA draft bill authorizing civil penalties and, if it is enacted, (1) establish heavier penalties for those who repeatedly circumvent disease control regulations; and (2) assure that penalties exceed the cost of complying with laws and regulations. The Secretary of Agriculture should direct the Administrator of the Animal and Plant Health Inspection Service to develop instructions covering the operations necessary to assure that disease control measures are properly implemented and, in conjunction with cooperating State agencies, provide the instructions to all field personnel.

Agency Comments/Action

The Department said that corrective procedures had already been adopted or were being developed for most of the GAO recommendations. The Department said, however, that the most efficient timeframe for a postmovement test is from 45 to 120 days and additional postmovement tests would be required after January 1, 1982. The Department said also that a comprehensive brucellosis information system was being developed and that a new system for certifying States would become effective January 1, 1982. The Department disagreed that a separate line function should be created for compliance personnel because it said that veterinarians-in-charge must have control over all phases of eradication activities. Instead, the Department placed more emphasis on this problem, and the percentage of cases completed within 60 days increased from 72 percent for the third quarter of fiscal year 1980 to 94 percent for the third quarter of fiscal year 1981. The Department said that implementation of its corrective actions scheduled for January 1, 1982, may be delayed by at least a year if a general provision in the fiscal year 1982 House Appropriations Bill (H. R. 4119) becomes law. This provision stipulates that "none of the funds in the Act may be used to implement or enforce the Brucellosis regulations classifying States which are scheduled to take effect January 1, 1982."

Appropriations

Animal and plant health inspection service - Department of Agriculture, Animal and Plant Health Inspection Service

Appropriations Committee Issues

The Brucellosis eradication program is the Nation's largest animal disease control effort. Despite the considerable resources that have been devoted to the program, weaknesses in management systems and disease identification and control procedures have delayed eradication efforts and resulted in large economic losses to the farm economy.

DEPARTMENT OF AGRICULTURE

COMMODITY CREDIT CORPORATION

Lessons To Be Learned From Offsetting the Impact of the Soviet Grain Sales Suspension (CED-81-110, 7-27-81)

Budget Function: Agriculture: Farm Income Stabilization (0351)
Legislative Authority: Food Security Wheat Reserve Act of 1980 (P.L. 96-494; 94 Stat. 2578). Commodity Credit Corporation Charter Act (15 U.S.C. 714 et seq.). Export Sales Reporting Act (7 U.S.C. 612c-3). Export Administration Act of 1979 (50 U.S.C. App. 2401). Food and Agriculture Act of 1977 (P.L. 95-113; 91 Stat. 913). P.L. 96-234. 94 Stat. 333.

On January 4, 1980, the President announced that, for foreign policy and national security reasons, the Federal Government was suspending the shipment of about 18 million metric tons of agricultural commodities to the Soviet Union. The President directed the Department of Agriculture to take actions to offset the suspension's impact on farmers. These offsetting actions, most of which were concerned with stabilizing market prices, included removing the suspended grain from the market by increasing the wheat and corn price-support loan rates, adjusting the farmer-owned reserve program, purchasing grain directly from farmers and country grain elevators, and purchasing exporters' undeliverable grain contracts with the Soviet Union.
Findings/Conclusions: Because of the short time between the decision to suspend shipments and the suspension's announcement, Agriculture was not able to thoroughly analyze the suspension's potential impact and develop a comprehensive plan of offsetting actions. The lack of adequate planning caused Agriculture to: (1) erroneously anticipate that the farmer-owned reserve would efficiently remove the undeliverable grain; (2) purchase the exporters' Soviet contracts valued at about $2.4 billion with little documentation that such purchase was necessary; and (3) inefficiently implement the offsetting actions. Since any future suspension of the export of agricultural commodities may have a severe effect on the grain production and marketing industries, it is important that the potential effects of the various actions that could be taken to offset the potential impact of any further suspensions be identified and analyzed. Agriculture's purchase and resale of the exporters' Soviet contracts and its purchase of corn and wheat from farmers were implemented in a manner which led to Federal losses or increased Federal costs. A Government monitoring program set up to identify illegal shipments to the Soviet Union was reasonably successful in identifying and discouraging direct shipments from U.S. ports to the Soviet Union. However, it was not feasible to closely monitor for possible unauthorized transshipments. The Soviet Union was able to substantially offset the suspension's impact by increasing imports from other countries and drawing down its reserves.
Recommendations: The Secretary of Agriculture should develop and keep current a contingency plan that would include: (1) an assessment of whether existing farm programs are flexible enough to efficiently and effectively offset the impact of a grain sales suspension on farmers; (2) an evaluation of the types and availability of data needed to determine on short notice the extent and severity of a suspension's impact on farmers, grain elevators, grain transporters, and exporters; and (3) an analysis of the extent, if any, to which the impact on each of the agricultural sectors should be offset. The Secretary of Agriculture should, after assessing existing farm programs, develop and submit to Congress any legislative recommendations for modifying existing programs or instituting new programs that the Secretary finds are necessary in developing a contingency plan. If the Commodity Credit Corporation again considers purchasing exporters' contracts to offset the impact of any future suspensions, the Secretary should direct it to: (1) prepare an economic justification for each commodity involved in the suspension to determine if such purchase is necessary; and (2) estimate any suspension-related benefits and detrimental effects to the exporters and use both estimates in determining the extent of Federal assistance needed. If the Commodity Credit Corporation again considers open-market purchases as an offsetting action, the Secretary of Agriculture should direct it to purchase only the types and grades of commodities suspended from shipment and to make such purchases at prices within a reasonable amount of the existing market price.

Agency Comments/Action

According to USDA, the Administration is strongly opposed to the use of export controls in a manner which unfairly burdens any sector of the American economy. It added that this Administration did not invoke the partial grains embargo; it revoked it. In commenting on the GAO recommendation to develop a contingency plan to help ensure that the effects of any future suspensions are offset in a more orderly, systematic, and timely manner, USDA said that while it may be useful to discuss the possible adverse impacts of an overall U.S. trade suspension on the agricultural community, it should be recognized that the effects of such embargoes cannot be readily quantified. It said that, not only did the past agriculture embargo appear to be only minimally effective with respect to its intended objectives, but contingency planning for future unexpected disruptions of agricultural trade is extremely difficult, if not impractical, in light of supplies and prices, the world economic situation trading pattern, and overall trade relations with U.S. trading partners.

Appropriations

Reimbursement for net realized losses - Department of Agriculture, Commodity Credit Corporation

Appropriations Committee Issues

The Committees should assure that the Department implements the recommendations.

DEPARTMENT OF AGRICULTURE

ECONOMICS AND STATISTICS SERVICE
SOIL CONSERVATION SERVICE

Preserving America's Farmland--A Goal the Federal Government Should Support
(CED-79-109, 9-20-79)

Budget Function: Agriculture: Agricultural Research and Services (0352)
Legislative Authority: Food and Agriculture Act of 1977 (P.L. 95-113; 91 Stat. 913). National Environmental Policy Act of 1969 (42 U.S.C. 4321). National Housing Act (12 U.S.C. 1701). Rural Development Act of 1972 (7 U.S.C. 1010a). Soil and Water Resources Conservation Act of 1977 (P.L. 95-192; 91 Stat. 1407). Surface Mining Control and Reclamation Act of 1977 (P.L. 95-87; 91 Stat. 445).

Farmland is essential to the Nation's abundant agricultural production which has not only fed U.S. citizens well, but has been a positive contributor to the balance of payments and to humanitarian commitments to developing countries. In 1975, about 338 million acres of all rural land, including 221 million acres of cropland, were in the Department of Agriculture's (USDA) top two land capability classes. Land losses for urbanization and other nonfarming purposes, estimated at 3 to 5 million acres a year, coupled with the leveling off of agricultural productivity, pose serious questions about the Nation's ability to maintain its role as an economical food producer and exporter. Since the 1973-74 grain purchases by the Soviet Union which eliminated surpluses and sharply increased commodity prices, there has been a growing concern about the loss of farmland. Opinions vary, however, on how much farmland is being lost, its impact on the Nation's future, and what role the Federal Government should play to protect it. Emerging evidence suggests that technology may not continue to increase productivity at past levels and compensate for the loss of prime and other farmland. Governmental control of land use traditionally rests with State and local governments, and over the years some have adopted or considered various approaches to curtail farmland conversions, such as preferential tax assessments, zoning, variable capital gains taxes, and sales and transfers of development rights. The Federal Government's role in retaining farmland is still evolving and Congress has recognized the importance of prime farmland, but has not yet enacted a policy which is comprehensive. Some bills, introduced in Congress but not enacted, would have established a national farmland policy and described Federal responsibilities in advancing that policy, including Federal support for State and local farmland preservation efforts.

Findings/Conclusions: Replacement or expansion of land in the farmland base involves significant tradeoffs and limitations on water, energy, environment, and cost. The proportion of agricultural production dependent on energy- and cost-intensive irrigation systems is rapidly increasing. Preserving farmland has been given little consideration or low priority and has usually been outweighed by other interests in Federal projects. Furthermore, Federal or federally assisted projects often result in the direct and/or indirect taking of prime and other farmland. One problem may be the conflict between the information regarding the importance of preserving prime farmland which is furnished to agencies, and USDA publications which cite large potential cropland reserves and production capabilities. State and local methods to preserve the land have had limited impact on its loss, and none of the methods used are likely to insure that land will be kept in agricultural production. There is insufficient data and a lack of uniform criteria to help Federal agencies evaluate the impact of losing farmland and to balance this loss against other national interests, including food production and food prices. A widely publicized national policy identifying the national interest in and goals for protecting and retaining farmland could: (1) guide and support land-use planning and decisions by the Federal, State, and local governments; (2) encourage intergovernmental coordination and cooperation in managing the land; and (3) promote public investment patterns that will minimize adverse impacts on farmland.

Recommendations: The Secretary of Agriculture should: (1) develop additional data on, and make analyses of, the significance of losing prime and other farmland; (2) insure, through periodic reviews, that all USDA agencies evaluate the loss of prime and other farmland in their project approval processes in consonance with the Secretary's October 1978 land-use policy statement; and (3) require that additional analyses be made of USDA potential cropland estimates in terms of how much land is likely to be converted considering current land use, production tradeoffs, development problems and costs, and other economic values, such as changes in the relationship of production and development costs to commodity prices. The results of these analyses should be published. The Secretary of Agriculture and the Chairman of the Council on Environmental Quality should undertake a joint effort to develop criteria to guide Federal departments and agencies in determining and evaluating the impact of their proposed projects and actions that affect prime and other farmland losses with other national interests. The Chairman of the Council on Environmental Quality should instruct Federal departments and agencies to include in their environmental impact statements and other environmental review documents a discussion of their analyses relating to the criteria recommended above. Congress should: (1) formulate a national policy on protecting and retaining farmland; (2) set a national goal as to the amount and class of farmland that should be preserved; (3) periodically assess the impact of farmland losses on the established goal; and (4) delineate the Federal Government's role in guiding and helping State and local efforts to retain farmland. If Congress decides to provide Federal support to States and political subdivisions to carry out farmland preservation programs, it should specifically set out the criteria which such programs have to meet. These criteria should provide, among other things, that agricultural areas be geographically defined and preferably correspond to areas that contain the most prime farmland, and that agricultural use and prime farmland be clearly and specifically defined.

Agency Comments/Action

USDA said that the report clearly identified the need for actions by all levels of government and that it agreed with the GAO recommendations, shared the GAO view on the need for more detailed analysis of land potentially available for crop production, and was joining with the Council on Environmental Quality in the leadership of an interagency study of agricultural lands. The National Agricultural Lands Study was initiated on June 14, 1979. The final report on the study was issued on January 17, 1981. The study, among other things, evaluated the role of Federal agencies in agricultural land conversion, assessed State and local government efforts to retain agricultural lands, and identified ways in which these efforts could be made more effective. Federal agencies whose programs and actions affect agricultural land were represented on the study's interagency coordinating committee.

Appropriations

Conservation operations - Department of Agriculture, Soil Conservation Service
Salaries and expenses - Department of Agriculture, Economics and Statistics Service

Appropriations Committee Issues

Before Federal assistance is provided for preserving America's farmland, Congress needs to establish a national policy, goals, and monitoring system, and determine the Federal role in supporting preservation efforts. Then, before any Federal support is given, State and local preservation programs should include criteria: (1) defining agricultural use and prime farmland; and (2) establishing certain minimal requirements as discussed in the GAO report.

DEPARTMENT OF AGRICULTURE

EXTENSION SERVICE

Cooperative Extension Service's Mission and Federal Role Need Congressional Clarification (CED-81-119, 8-21-81)

Budget Function: Agriculture: Agricultural Research and Services (0352)
Legislative Authority: Morrill Act (Agricultural Colleges). Hatch Act (Agricultural Experiment Stations) (7 U.S.C. 361a et seq.). Smith-Lever Act (Agricultural Extension Work) (7 U.S.C. 341 et seq.). Food and Agriculture Act of 1977 (7 U.S.C. 3301). Higher Education Act of 1965 (P.L. 89-329). 7 U.S.C. 3123.

The Cooperative Extension Service is the largest education system of its kind in the world. It is active in rural, suburban, and urban communities and, in addition to agricultural and home economics programs, offers programs in social and economic problems and cultural, recreational, and leisure-time activities. The Extension Service was established in 1914 primarily to provide farmers with information from agricultural research and to encourage them to adopt improved farming methods. Recently, its programs have expanded to include instruction in arts and crafts, recreation, creative and performing arts, and mental and emotional health. GAO reviewed the Extension Service to determine whether its programs were meeting their basic missions.

Findings/Conclusions: As more programs vie for Extension Service resources, disagreements have occurred over what its mission should be. Some groups feel that it is ignoring their needs; others say it is trying to be all things to all people.

GAO stated that, because the demands for the Extension Service's programs are great and its resources are limited, its available resources need to be used as efficiently as possible. GAO also stated that the Department of Agriculture's (USDA) Federal Extension Service, the Federal agency involved, should assume a more active leadership role in the Extension Service program development. GAO concluded that improved performance and impact measurement is needed to determine whether extension programs are effective. There are no comprehensive Service-wide evaluation requirements due to a lack of a central office to clearly define such standards. GAO believes that USDA is the natural place within the organization from which to provide leadership and direction in evaluation.

Recommendations: The appropriate congressional committees should examine the Cooperative Extension Service's mission. As part of this process, the committees could direct the Secretary of Agriculture to prepare, in cooperation with the Extension Committee on Organization and Policy (ECOP), an updated statement of the Extension Service's mission. The committees could require this statement to contain explicit mission objectives and priorities and to be submitted to them for their information and review. The committees could also require the Extension Service to provide periodic progress reports on meeting its goals and objectives. In addition, the committees could also hold oversight hearings on the Cooperative Extension Service to review current extension programming and to consider and focus on the mission that the committees want carried out. The hearings could provide the basis to develop legislation, if necessary, to more clearly define the Cooperative Extension Service's mission. The appropriate congressional committees should consider the role that they want the USDA Federal Extension Service to play in providing extension program leadership and guidance. The Secretary of Agriculture should direct the Administrator of the Federal Extension Service to become more involved with the States in the total extension program development process. This includes: (1) determining, in cooperation with the ECOP, national extension program priorities and goals; (2) providing leadership in getting States to implement extension programs which address national extension priorities; and (3) interacting with States in developing as well as reviewing work plans. The Secretary of Agriculture should assume leadership, in cooperation with ECOP, for developing and implementing a uniform accountability and evaluation system for the Cooperative Extension Service. The system should include provisions for planning and coordinating accountability and evaluation activities throughout the Extension Service.

Agency Comments/Action

USDA generally agreed with the GAO recommendations. USDA said that both it and the State Extension Services were undertaking joint studies which would deal with two of the recommendations, including the need to clarify the Extension Service's mission and the need to improve the extension program evaluation. Concerning the issue of the appropriate Federal role in extension, USDA, as well as the States, generally agreed that while the Federal office should provide national program leadership, this should be in the form of guidance and not Federal program direction.

Appropriations

Extension service - Department of Agriculture, Extension Service

Appropriations Committee Issues

The Extension Service's resources are limited and demands for its services are increasing, in part because of the expanded scope of services it is now providing. The Committees should inquire as to how Federal funds will be specifically used for extension programs. The Committees should make sure that funds are being used as beneficially as possible so that the highest priority projects can be undertaken.

DEPARTMENT OF AGRICULTURE

FARMERS HOME ADMINISTRATION

Shall Full Funding Be Applied to the Rental Assistance and Family Planning Programs?

(PAD-80-16, 2-12-80)

Budget Function: Commerce and Housing Credit: Mortgage Credit and Thrift Insurance (0371)
Legislative Authority: Housing Act of 1949.

A Federal program is considered to be a fully funded program if the budget authority requested and made available is for the total cost of that program to be initiated in the budget year. Full funding has been traditionally associated with major procurement and construction activities. However, GAO believes it has potential for application to subsidy and social programs and some research and development. At the request of the House Budget Process Task Force, GAO did a review of further implementation of full funding which included case studies of two programs with full funding potential.

Findings/Conclusions: The main problem with the current method of funding the Farmers Home Administration's Rental Assistance Program was inadequate disclosure of funding requirements. The requirement to make appropriations in the future for commitments entered in the past was not clear in the budget information presented to Congress. Because of this, Congress had little control over future appropriations of budget authority. Full funding would improve disclosure of the program's total funding requirements and increase Congress' control over appropriations of budget authority by allowing Congress to act on the full program level and cost at a time when it has some discretion to make changes, rather than on a piecemeal basis. Congress would see the total funding requirement before the commitment was made and would not have to provide future budget authority for the same budget year program. The disadvantages of full funding included a possible increase of unobligated balances which would have to be monitored. GAO felt that the disadvantages would be minimal. Full funding the Family Planning Program would affect Congress in several ways. However, the effect would be minimal on disclosure of total costs and future control of spending, the two usual advantages of full funding. In addition, some of the current annual program control by Congress would be lost. Therefore, GAO did not believe that the Family Planning Program was a prime candidate for full funding.

Recommendations: The Secretary of Agriculture should ask Congress to draft legislation to establish a fully funded separate general fund appropriation account to fund the Rental Assistance Program.

Agency Comments/Action

The Department of Agriculture responded to Congress that it felt that the rental assistance program was fully funded since borrowing authority backed the total obligations entered. At the request of the Senate Appropriations Subcommittee on Agriculture and Related Agencies, GAO provided proposed language to legislation to bring about the recommended change in funding.

Appropriations

Housing programs - Department of Agriculture, Farmers Home Administration

Appropriations Committee Issues

The Committees should consider the issues raised in this report.

FARMERS HOME ADMINISTRATION

The Farmers Home Administration's Economic Emergency Loan Program Could Be More Effective (CED-80-84, 3-28-80)

Budget Function: Community and Regional Development: Area and Regional Development (0452)
Legislative Authority: Emergency Agricultural Credit Adjustment Act of 1978.

The economic emergency loan program was authorized by the Emergency Agricultural Credit Act. A review of the loan files in 10 States indicated that the main purpose of the loans was to increase the borrowers' current cash flow and assist with current operations. Loan proceeds did accomplish these purposes but it was too soon to tell if the temporary loan program should be continued.

Findings/Conclusions: Indications were that the delinquency rate on this program may be a problem and that only a small percentage of the loans were guaranteed. Discussions with Farmers Home Administration (FmHA) officials and bankers in a wide range of communities indicated that banks are referring borrowers for insured loans, since the banks generally prefer to handle short-term farm operating loans or consumer type loans at higher rates and shorter terms than those used in the guaranteed loan program. Information obtained in the review indicated that economic emergency loans were made because regular farm ownership or operating loans were limited or not available, or the loan amount exceeded the maximum limits for individual loans under regular loan programs. In some cases, economic emergency loans refinanced very recent land purchases because of limited farm ownership monies. Much of the economic emergency loan proceeds were used to refinance existing indebtedness on other loans, such as bank loans and Federal Government loans.

Recommendations: The Secretary of Agriculture should direct the Administrator, FmHA, to (1) keep apprised of delinquency rates and graduations to private credit since there were indications of a potential delinquency problem, (2) emphasize more bank participation in guaranteed loans, (3) explore whether the economic emergency loan program should continue to be, in effect, a supplement of the existing farm ownership and operating loan programs or whether raising the limits on those programs or having one combined program to cover the purposes of the present farmer loan programs would better meet the farmers' needs, (4) seek guidance from the congressional legislative committees on how long land should be held before it can be refinanced under this program, and (5) tighten agency regulations on credit elsewhere to bring them in line with the requirements of the farm ownership and operating loan programs. The economic emergency loan program should be reexamined by FmHA within a year, with particular attention given to the effects on farmers' payback ability and overall financial situation, so that controls and guides may be established for future use to ensure that those who have the basic financial foundation can succeed.

Appropriations

Emergency loans - Department of Agriculture, Farmers Home Administration, Emergency Loan Division

Appropriations Committee Issues

The Farmers Home Administration is mandated by Sec. 212 of P.L. 96-220 to reexamine the economic emergency loan program for farmers and report to Congress the study results by March 31, 1981. The report is to cover the operation and effectiveness of loans made under the program and any recommendations by the Secretary of Agriculture for extending this lending authority beyond September 30, 1981, or merging or combining this program with the regular farm operating and ownership programs, which this program appeared to be supplementing at the time of the GAO review. The required report was sent to Congress on August 31, 1981.

DEPARTMENT OF AGRICULTURE

FARMERS HOME ADMINISTRATION

Limited-Resource Farmer Loans: More Can Be Done To Achieve Program Goals and Reduce Costs (CED-81-144, 8-31-81)

Budget Function: Community and Regional Development: Area and Regional Development (0452)
Legislative Authority: Consolidated Farm and Rural Development Act. Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35). Housing Act of 1949. P.L. 96-438. Farmers Home Administration Instruction 1924-B. H. Rept. 95-986. S. Rept. 95-752.

GAO reviewed the Farmers Home Administration (FmHA) program for providing low-interest rate loans to limited-resource farmers to determine whether more supervision and technical assistance were needed to achieve program goals and whether improvements were needed to control costs and safeguard against misuse of program funds.

Findings/Conclusions: GAO found that the management assistance provided to limited-resource borrowers has been inadequate and limited. As a result, borrowers will have a hard time meeting the program goals of increasing production, incomes, and living standards. Additionally, GAO found that FmHA did not always identify borrower weaknesses which needed attention or farm or financial management improvements or practices which needed development. Significant information was sometimes omitted from annual farm plans, and long-range planning was limited or nonexistent. The importance of a record-keeping system was not always discussed. Farm visits were not always made, and yearend analyses of farm records were not always made to determine progress, problems, and needed corrective actions. FmHA staffing has not been adequate to provide the level of assistance needed, and other Department of Agriculture agencies are not being used effectively to obtain additional assistance. FmHA has made limited-resource loans to borrowers who were ineligible, and loan files were not always fully documented to support the loans. Because the subsidies can be substantial, internal controls must be adequate to assure that only eligible borrowers receive them. A good internal control system which separates the duties and procedures governing the authorization, preparation, review, and flow of transactions through the system is lacking. It may be possible to recapture interest subsidies on the loans from the appreciation in farm values when the farm is sold, transferred, or no longer farmed by the borrower.

Recommendations: The Secretary of Agriculture should direct the FmHA Administrator to make more effective use of the resources available from other Department of Agriculture agencies by establishing formal working agreements and referral systems, by performing joint farm planning for existing and future limited-resource borrowers, and by reporting back to the Secretary on the progress and problems being encountered in obtaining such cooperation. The Secretary of Agriculture should direct the FmHA Administrator to revise FmHA instruction 1924-B to specify the priority to be given in supervising limited-resource borrowers. The Secretary of Agriculture should direct the FmHA Administrator to develop more appropriate technical aids or forms to encourage more effective long-range planning of a borrower's farm operation and in planning and carrying out farm visits. The Secretary of Agriculture should direct the FmHA Administrator to emphasize to FmHA county officials the importance of recording in the Farm and Home Plan the actual results of the annual farm operations. The Secretary of Agriculture should direct the FmHA Administrator to improve to the extent possible the FmHA internal control system in the limited-resource program by assuring that loan approval decisions are not made by those individuals responsible for processing the loan and documenting all the facts in support of loan approval. The Secretary of Agriculture should direct the FmHA Administrator to improve to the extent possible the FmHA internal control system in the limited-resource program by subjecting the county supervisor's decision to increase or continue present interest rates to review and concurrence by another individual or group. The Secretary of Agriculture should direct the FmHA Administrator to improve to the extent possible the FmHA internal control system in the limited-resource program by using the review functions to assure compliance with FmHA documentation requirements. The Secretary of Agriculture, in an effort to reduce subsidy costs, should direct the FmHA Administrator to seek legislation to permit the recapture of Federal subsidies on limited-resource farm ownership loans when the property is no longer farmed by the borrower, sold, or transferred.

Agency Comments/Action

FmHA program officials generally agreed with the thrust of the GAO recommendations and their comments were included in the report. Formal agency comments are not expected until October 30, 1981.

Appropriations

Agricultural Credit Insurance Fund - Department of Agriculture, Farmers Home Administration

Appropriations Committee Issues

Subsidies on limited-resource farm ownership loans should be recaptured from the appreciation in farm real estate to reduce program cost. Also, FmHA should improve its internal controls to safeguard against the misuse of program funds. For fiscal year 1981, Congress gave FmHA 200 additional positions to improve borrower supervision and servicing but, as of May 1981, FmHA had made limited use of these additional positions to improve supervision and servicing. FmHA needs to provide more supervision and servicing to limited-resource farm borrowers to help them succeed. Although additional staff increases would help, FmHA should make more effective use of other USDA resources, such as the Cooperative Extension Service, to help limited-resource borrowers. FmHA program officials believe that the success of any endeavor will require emphasis directly from the Secretary of Agriculture.

DEPARTMENT OF AGRICULTURE

FEDERAL GRAIN INSPECTION SERVICE

Federal Export Grain Inspection and Weighing Programs: Improvements Can Make Them More Effective and Less Costly

(CED-80-15, 11-30-79)

Budget Function: Agriculture: Agricultural Research and Services (0352)
Legislative Authority: Agricultural Marketing Act (7 U.S.C. 1621 et seq.). Grain Standards Act (7 U.S.C. 71-87(h)).

An evaluation was made of the official inspection and weighing systems for U.S. grain being exported to foreign buyers as they are implemented at U.S. export locations. The systems are required by the Grain Standards Act of 1976 and are administered by the Federal Grain Inspection Service (FGIS).

Findings/Conclusions: Foreign buyers perceived some improvements in the quality and weights of U.S. grain shipments since the Act was passed. However, further improvements in the inspection and weighing programs are needed. The factors causing quality problems included: (1) the proportions of grain tested were not standardized and the standards allowed the presence of some insects, (2) inspection procedures did not assure that all grain in a shipment was within grade requirements, (3) actual amounts of dockage were in excess of the certified amounts due to rounding procedures, and (4) grain standards are too lenient. While the Act requires that all grain transferred into and out of an export elevator be officially weighed, grain companies oppose paying for the high cost of inbound weight supervision, particularly when the elevator already owns the arriving grain. GAO felt that weight supervision for truck and rail shipments could be reduced, with reasonable control over the accuracy of the weights being maintained. Many instances were noted where personnel were not performing their duties properly, and many deficiencies in the program can be attributed to the lack of proper training. The Department of Agriculture's formal complaint system is inadequate and a program which would provide systematic feedback of destination quality and weight data is needed for improved monitoring of shipments.

Recommendations: The Secretary of Agriculture should direct the Administrators of FGIS and the Foreign Agricultural Service to: establish procedures to standardize the proportion of grain tested for infestation and require that all infested grain be certified as such or fumigated; revise shiploading instructions to prohibit the loading of offgrade grain in a shipment for multiple buyers; prohibit combining samples unless the grain represented is mixed properly during loading; develop dockage certification instructions to assure uniform shipment quality and revise the grain standards to require that dockage grading be certified to the nearest one-tenth of a percent; modify the grain inspection monitoring system to define and maintain an adequate level of inspector monitoring and develop a monitoring system to better serve field officials; require that inspection certificates issued in Canada be annotated, similar to those issued in the United States, when samples are obtained by means other than a diverter-type sampler; develop and implement procedures and instructions for those weight monitoring activities not covered adequately by current FGIS instructions, and for supervising weight monitoring performed by FGIS personnel and delegated State agencies at export locations; require that personnel be adequately trained before they are assigned weight monitoring duties and strengthen the program for developing supervisors; revise inspection procedures to require that protein content be computed and reported on a standard moisture basis; use existing export monitoring programs to monitor the efforts of the U.S. grain trade to improve the quality of exports of grain and grain products not covered by the Act and, if problems affecting U.S. foreign markets are found, FGIS should develop a voluntary inspection program for grain products and inform buyers that such a service is available and/or develop a legislative proposal to make rice exports subject to inspection and weighing requirements of the Act; give priority attention to further developing the system for collecting and analyzing quality and weight data obtained from foreign buyers with FGIS working with foreign buyers to improve their sampling techniques and grain analysis capabilities; develop a program for contacting major end-users on their views as to the quality of U.S. grain; and continue to revise the U.S. grain standards to better meet end-user requirements. The Secretary should direct FGIS to research the need for restricting certain blending practices. Congress should amend the Grain Standards Act to provide the FGIS Administrator with the authority to reduce the amount of weight monitoring required on truck and rail shipments arriving at export elevators. This could be accomplished by amending section 5(a)(2) of the United States Grain Standards Act (7 U.S.C. 87(a)(2)) to read as follows: "except as the Administrator may provide in emergency or other circumstances which would not impair the objectives of this Act, all other grain transferred out of and all grain transferred other than from a truck or railcar into an export elevator at an export port location shall be officially weighed in accordance with such standards or procedures; where grain is delivered to an export elevator at an export location by truck or railcar, the Administrator shall provide for supervision of weighing as defined in section 3(y) of this Act."

Agency Comments/Action

The agencies generally agreed with most of the recommendations and said that they were in the process of implementing some of them. FGIS differed, however, with the recommendations that: (1) inspection instructions be revised to prohibit the loading of offgrade grain where a shipment is destined for multiple buyers; (2) the Act be amended to reduce the requirement for monitoring the weighing of grain transferred into an export elevator; and (3) the program developed to monitor elevator inventories be curtailed. In October 1980, legislation was enacted which makes the official weighing of grain transferred into an export elevator voluntary; FGIS implemented the change as of November 25, 1980. A reorganization of FGIS in September 1981 sharply curtailed a number of program activities, including the program developed to monitor export elevator inventories.

Appropriations

Salaries and expenses - Department of Agriculture, Federal Grain Inspection Service
Inspection and weighing services - Department of Agriculture, Federal Grain Inspection Service

Appropriations Committee Issues

FGIS could further improve its inspection progam by revising its procedures to require that protein content be computed and reported on a standard moisture basis, establishing procedures which standardize the proportion of grain tested for infestation, and revising the grain standards to require that dockage grading results be certified to the nearest one-tenth of a percent and to better meet the end-users' requirements.

DEPARTMENT OF AGRICULTURE

FEDERAL GRAIN INSPECTION SERVICE

Grain Inspection and Weighing Systems in the Interior of the United States--An Evaluation (CED-80-62, 4-14-80)

Budget Function: Agriculture: Agricultural Research and Services (0352)
Legislative Authority: Grain Standards Act (7 U.S.C. 71).

The Grain Standards Act made a number of substantive changes to improve the interior (nonexport) grain inspection and weighing systems and authorized the Federal Grain Inspection Service (FGIS) to establish an interior grain weight supervision system. Under the existing systems, the Administrator of FGIS designates agencies to provide inspection and weight supervision services, licenses the agencies' inspection and weight supervision personnel, and supervises the agencies' operations. The Act also required GAO and the Department of Agriculture (USDA) to study the systems and required GAO to submit a report recommending any changes to the Act. Pursuant to that requirement, GAO evaluated the interior grain inspection and weighing systems.

Findings/Conclusions: The overall structures of the existing systems should be retained. However, some additional improvements are needed to strengthen the grain inspection and weighing services and FGIS controls over the services. Following passage of the Act, FGIS initiated action to correct improper rounding of grading results and "grade shaving" and insisted on legal arrangements to avoid or lessen the effects of conflicts of interest and thus protect inspection agencies from grain company influence. The principal areas which still need improvement are (1) the establishment and enforcement of clear and definitive standards for quality controls by grain inspection agencies; (2) the elimination of improper sampling, especially by contract samplers; (3) control over grain sampling and grading accuracy; and (4) effective use of sample regrading results to identify and correct grading problems. In addition to the FGIS weighing system, the Association of American Railroads (AAR) operates a grain weighing system. Nearly all weight supervision on domestic rail shipments of grain in the interior are weighed under AAR supervision. Most of the users of the AAR system expressed satisfaction with its operation, and GAO concluded that, although the AAR weight supervision system has some limitations and its service is not always available on all modes of transportation, it serves the interests of the railroads and the grain industry reasonably well. Some improvements were needed, however, in the FGIS grain weight supervision system.

Recommendations: The Secretary of USDA should direct the Administrator of FGIS to (1) consult with the House and Senate Agriculture Committees on the promulgation of regulations specifying the criteria or conditions that must be met before the Administrator would implement mandatory official weighing or supervision of weighing at interior locations where official inspection is provided, and (2) revise the program instructions for partial (Class Y) weight supervision to require that the weighing of at least 25 percent of the conveyances or grain lots covered by Class Y weight supervision certificates be observed each shift of each day that such certificates are to be issued. The Secretary should also direct the Administrator to establish clear and definitive standards for the quality controls that inspection agencies should maintain over their inspection operations and ensure that the agencies comply with them; take prompt action to resolve the legal and other problems related to inspection agencies' use of contract samplers; periodically review FGIS followup procedures for detecting and deterring improper rounding and grade shaving to ensure that they are working properly in making future designations of inspection agencies, carefully consider each agency's past history of compliance with requirements as well as its demonstrated ability to comply with FGIS quality control standards and to provide quality inspection services; develop and furnish guidance to FGIS field offices to ensure uniformity in the content and scoring of inspectors' technical competency examinations; budget specific staff-years for supervision and monitoring of inspection activities and ensure that adequate priority is given to this important function to maintain a minimum level of coverage of each agency's and licensed inspector's work; implement a sample selection methodology that ensures that the samples selected for regrading are representative of the total inspections performed by each licensed inspector; develop criteria and provide guidance for use by FGIS field offices in identifying potential or actual grading problems and ensure that they make effective use of monitoring system data in identifying, investigating, and correcting inspection problems; and develop procedures and guidance for following up or investigating inspection-related problems, establish clear lines of authority for taking action against inspection agencies and licensees to correct problems identified, and develop a system of penalties or sanctions to be imposed against inspection agencies and licensees for violations of the Act, regulations, or other requirements, or for substandard performance.

Agency Comments/Action

Except for the recommendation to promulgate regulations on weighing, the Department has acted on all the GAO recommendations. In September 1981, however, the Department announced that FGIS would be reorganized and its staff reduced substantially. These actions, particularly the reduction in force, may jeopardize the FGIS ability to adequately follow through on some of the actions it took to implement the recommendations.

Appropriations

Salaries and expenses - Department of Agriculture, Federal Grain Inspection Service
Inspection and weighing services - Department of Agriculture, Federal Grain Inspection Service

Appropriations Committee Issues

The Committees should inquire into the effect the FGIS reorganization and reduction in force will have on its capability to follow through on the actions taken to implement the recommendations.

DEPARTMENT OF AGRICULTURE

FOOD AND NUTRITION SERVICE

How Good Are School Lunches?
(CED-78-22, 2-3-78)

Budget Function: Agriculture (0350)
Legislative Authority: National School Lunch Act (42 U.S.C. 1458).

The National School Lunch Act provides that lunches served by participating schools must meet standards prescribed by the Secretary of Agriculture. The type of lunch required by the Secretary, called the Type A lunch, contains specific quantities of various food types. The goal in requiring Type A lunches is to provide students, over time, with one-third of the recommended dietary allowances of specified nutrients published by the National Academy of Sciences.

Findings/Conclusions: Independent laboratory tests showed that compliance with Type A requirements did not insure the achievement of one-third of recommended dietary allowances. Sample lunches from New York, Cleveland, and Los Angeles were significantly short in as many as 8 of the 13 nutrients tested. Although microbiological tests showed that the lunches were safe to eat, testing and standards used by local authorities varied considerably, and there were no Federal procedures or standards for microbiological testing in the program other than for milk. At least 40 percent of a random sample of lunches served in New York City during a 6-week test period did not comply with Type A requirements. The Department of Agriculture has acknowledged that compliance with Type A requirements is a nationwide problem and plans to make changes in its regulations. The Department should modify the requirements for school lunches beyond the changes recently proposed.

Recommendations: The Department of Agriculture should give consideration to alternative requirements for the school lunch program. It should develop explicit instructions on how and when Federal, State, and local monitoring of compliance is to be performed; check to see that instructions are being followed and determine if Federal requirements are being met; and stop Federal reimbursement in cases where noncompliance with Federal requirements is not promptly corrected.

Agency Comments/Action

The Food and Nutrition Service has implemented the recommendations concerning promoting nutrition education to reduce plate waste, encouraging State and local authorities to improve school lunch facilities and atmosphere, and encouraging school lunch facilities to use decentralized meal planning to meet the tastes of children from various cultural and ethnic backgrounds. The Service has instituted a new management evaluation system to test whether meal pattern requirements are being followed.

Appropriations

Child nutrition programs - Department of Agriculture, Food and Nutrition Service

Appropriations Committee Issues

The Committees should inquire into whether the Department, as part of its new management evaluation system, has devised a standardized method or methods for States to use to determine whether a school food authority is serving school meals that comply with program requirements.

DEPARTMENT OF AGRICULTURE

FOOD AND NUTRITION SERVICE

The Special Supplemental Food Program for Women, Infants, and Children (WIC)--How Can It Work Better? (CED-79-55, 2-27-79)

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604)
Legislative Authority: Child Nutrition Act of 1966 (42 U.S.C. 1786). Child Nutrition Amendments of 1978 (P.L. 95-627); 92 Stat. 3606). Medicare-Medicaid Anti-Fraud and Abuse Amendments (42 U.S.C. 1305).

A followup review of the Special Supplemental Food Program for Women, Infants, and Children (WIC), Department of Agriculture, was conducted.

Findings/Conclusions: Many local WIC programs provided needed health services and operated as adjuncts to good health care as Congress intended, but others did not. In addition, required professional assessments of applicants' nutritional status were not made in some locations; States used different criteria for judging whether applicants were nutritional risks and eligible for the program; supplemental food packages seldom were tailored to participants' individual nutritional needs; nutrition education and program evaluation had not received the priority and attention they deserve; and program regulations contained provisions hindering effective evaluations. Weaknesses in these areas have resulted in some local programs operating mostly as food distribution programs, similar to the food stamp program, without being directly related to participants' health status.

Recommendations: The Secretary of Agriculture should take a number of actions addressing (1) the availability of health services in existing and planned program areas, (2) program coordination with the Department of Health, Education, and Welfare, (3) nutritional risk assessments, (4) tailoring of food packages, (5) nutrition education, (6) program evaluation, and (7) access to medical information. Authorizing WIC legislation should be revised to clearly require that participants receive needed health services where such services are available, accessible, and acceptable, with possible exceptions based on participants' religious beliefs. Congress should also address the problem of whether the benefits of the food supplement part of the program alone warrant its expansion into areas where needed health services cannot be delivered.

Agency Comments/Action

The Food and Nutrition Service has taken some action on the recommendation concerning the availability of health services in existing and planned program areas and has proposed changes dealing with the recommendations on food package tailoring, nutrition education, and program education. The Service has implemented the recommendations concerning the timing of nutritional risk assessments, development of uniform nutritional risk criteria, and access to medical information.

Appropriations

Special supplemental food programs (WIC) - Department of Agriculture, Food and Nutrition Service

Appropriations Committee Issues

In view of the budget ceiling placed on the WIC program by the Omnibus Budget Reconciliation Act of 1981, the Committees should inquire into whether the budget ceiling will require that a priority system be established whereby the program would allow the most needy to participate and would avoid enrolling participants whose nutritional risk and/or income limitations are less serious.

DEPARTMENT OF AGRICULTURE

FOOD AND NUTRITION SERVICE

Child Care Food Program: Better Management Will Yield Better Nutrition and Fiscal Integrity (CED-80-91, 6-6-80)

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604)
Legislative Authority: Child Nutrition Amendments of 1978 (P.L. 95-627; 92 Stat. 3603). 7 C.F.R. 226.

The Child Care Food Program was established to improve the nutritional levels of the diet of the Nation's children, primarily preschool children. The Food and Nutritional Service's regional offices administer the program when State education agencies or other State agencies are unwilling or unable to do so. Public or private nonprofit organizations manage the program locally. Meals are provided by day care centers or in family or group day care homes. The program has grown significantly since its inception in 1969, and participation is expected to increase. GAO visited 98 sponsors and 115 feeding sites in four States during its study of the program's management.

Findings/Conclusions: GAO felt improved management of the program is essential if substandard meals, unhealthy feeding site conditions, and questionable financial accountability are to be improved. During the GAO study, delivery of services and financial accountability were found unacceptable. The impact of recent legislation providing for the expansion of the program needs assessment. The management of State and regional program offices needs improvement as lack of personnel hampers program administration. Regional oversight must also be improved.

Recommendations: The Secretary of Agriculture should direct the Administrator, Food and Nutrition Service, to eliminate the conditions which prevent program participants from receiving nutritious meals in healthy environs. Specifically, the Secretary should require the Administrator to establish an effective system to monitor feeding site conditions and compliance with Department of Agriculture meal standards. Also, the Secretary should direct the Administrator to: determine that the Service's new fiscal guidelines are completed in accordance with sound accounting and auditing principles and other appropriate Federal guidelines, including applicable GAO standards, and that program personnel are trained in their use; develop a system for monitoring the activities of the Service's regional offices and State agencies; and develop effective headquarters information systems to enhance program planning, policy development, and guidance. To provide Congress with some assurance that program expansion is carried out effectively and efficiently, the Secretary should be certain that: current and future resources at all levels necessary to assure the nutritional and financial integrity of the Child Care Food Program are identified, an action plan for achieving mandated program expansion is developed, and the results of these efforts are communicated to the appropriate congressional committees. Further, to encourage States to retain responsibility for program management, the Secretary should identify for Congress measures which would support State program management and encourage States that had relinquished program control to resume responsibility. In addition, the Secretary should closely oversee State activities to identify obstacles to sound program management and to provide assistance in overcoming them.

Agency Comments/Action

The Department made regulatory changes; instituted more comprehensive management evaluation techniques; and developed new publications which focus on program management at the State agency, institution, and facility levels to correct the problems cited in the report.

Appropriations

Child nutrition programs - Department of Agriculture, Food and Nutrition Service

Appropriations Committee Issues

The Committees should inquire into the Department's progress in implementing the regulatory changes dealing with site conditions, meal standards, management evaluation techniques, and program management at the State level.

DEPARTMENT OF AGRICULTURE

FOOD AND NUTRITION SERVICE

Major Factors Inhibit Expansion of the School Breakfast Program (CED-80-35, 6-16-80)

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604)
Legislative Authority: Child Nutrition and School Lunch Act Amendments of 1975 (42 U.S.C. 1773).

The School Breakfast Program has not grown as quickly as Congress anticipated. Expansion has been hampered by: local attitudes toward the program and perceptions of local needs and responsibilities; program costs that exceed maximum Federal reimbursement; low participation, especially among teenagers; operating problems; and insufficient and/or misdirected promotion efforts. Legislation which was proposed requiring schools to provide breakfast programs if 50 percent of their students were eligible for free or reduced-price meals was rejected. Instead, Congress reaffirmed its position that programs should be made available in all schools where needed to provide adequate nutrition to students. Expansion of the program has been impeded by local opinions such as: the contention that a good breakfast is a family, not a school, responsibility; belief that the school's primary function, education, is weakened by the burden of the administration of such auxilliary functions; and the view held by many people that the program is primarily for children of low-income families and is not needed when a small proportion of such children are in a school. Low participation in the program raises questions about the need for the program, and may raise program costs. Present nutritional information systems are not adequate for deciding whether students are nutritionally needy. Financial losses seriously inhibit program growth as do various operational problems concerning bus and class schedules, food preparation and serving facilities, and supervision. The public information program for making the schools and public more aware of the breakfast program has been ineffective.

Findings/Conclusions: A Federal mandate for school breakfast programs would be inappropriate. Although the School Breakfast Program is supposed to be targeted to the nutritionally needy, no data or criteria have been developed to determine which children would be affected. When operating costs are a barrier to growth of the program, the problem is not as readily solvable as some other operating problems. Participation in ongoing breakfast programs is low in most cases, even where sizeable numbers of students are from low-income families. The Federal role should be one of ensuring that parents and school officials are made aware of the program, its goals, and the degree of support the Federal Government offers. It is important to ensure that the local community has a voice in the decision of whether to provide a breakfast program or not. Congress has emphasized the need for better public information about the program, but it is too early to tell if the agency's response will be effective.

Recommendations: The Secretary of Agriculture should require that each school district, as part of its annual survey to determine which students qualify for free or reduced-price meals or through other effective means, determine whether parents are interested in establishing a school breakfast program. The results should be made public and given to the local school governing body to help it in deciding whether to start a breakfast program. Also, the Secretary, in consultation with the Secretary of Health and Human Services, should require that meaningful criteria be established and information gathered on the nutritional status of school children to provide a sounder basis for administering school food programs.

Agency Comments/Action

The Department of Agriculture has undertaken a major nationwide study involving 9,000 children in 100 schools to measure the effects that school feeding programs have on participants' nutritional status. The Department has instituted a new management evaluation system designed to closely monitor management performance as well as effectively monitor the use of Federal funds.

Appropriations

Child nutrition programs - Department of Agriculture, Food and Nutrition Service

Appropriations Committee Issues

The Committees should inquire into the progress of the nationwide nutritional status study and the new management evaluation system.

DEPARTMENT OF AGRICULTURE

FOOD AND NUTRITION SERVICE

Observations on Selected Aspects of School Lunch Program Administration (CED, 5-22-81)

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604)

A limited survey was conducted at three Pennsylvania school districts to obtain background information on selected aspects of school lunch program procedures for obtaining Federal reimbursement for lunches served.

Findings/Conclusions: All 13 elementary schools in one of the districts used monthly milk consumption records to determine the number of free lunches served during the month. Using such records could affect the accuracy of the count of free lunches. An envelope system is used to collect the lunch fees from the students, with those receiving a free lunch turning in an empty envelope. This system could be modified to more accurately count the number of free, reduced-price, and full-paid lunches served. Both schools in another school district were destroying meal tickets and daily tally sheets shortly after the meals were served, thereby making reported meal counts difficult to verify. Service regulations generally require that records supporting claims for Federal reimbursement be retained for 3 years. This district also included, as a cost of food used in its school menus, the estimated value of Government-donated commodities. Using these values as a basis for Federal reimbursement is improper since the schools do not pay for the commodities. Salaries of employees who were only partially involved or who were not involved at all were improperly charged to the State Administrative Expense fund.

Recommendations: The Administrator of the Food and Nutrition Service, Department of Agriculture, should take appropriate measures to resolve the problems caused by (1) use of milk consumption records by the Reading School District to determine the numbers of free lunches served each month; (2) destroying meal tickets and daily tally sheets, showing the number of free, reduced-price, and full-paid meals served, in the Bristol Borough School District; (3) Bristol Borough School District's inclusion, as a cost of food used in its schools menus, of the estimated value of Government commodities; and (4) the charging of total salary costs to the State Administrative Expense (SAE) fund of State employees who were only partially involved or not involved at all in activities properly chargeable to SAE.

Agency Comments/Action

The Food and Nutrition Service has instructed its Mid-Atlantic Region to determine the causes of the deficiencies cited in the report. The school districts involved are to take corrective actions to resolve the deficiencies. The State agency is taking the steps necessary to resolve the problem associated with the allocation of staff time to State administrative expense funds.

Appropriations

Child nutrition programs - Department of Agriculture, Food and Nutrition Service

Appropriations Committee Issues

The Committees should inquire into the Service's efforts to ensure that other States are not improperly charging staff time to State administrative expense funds.

DEPARTMENT OF AGRICULTURE

FOOD AND NUTRITION SERVICE

More Can Be Done To Improve the Department of Agriculture's Commodity Donation Program (CED-81-83, 7-9-81)

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604)
Legislative Authority: Agricultural Adjustment Act. Agricultural Act of 1949 (7 U.S.C. 1431). School Lunch Act (42 U.S.C. 1755). 7 C.F.R. 210. 7 C.F.R. 250.2. 7 C.F.R. 250.4(h). P.L. 95-166. P.L. 96-528. Food and Nutrition Service Handbook 501. 7 U.S.C. 612c. 42 U.S.C. 1762a.

In fiscal year 1980, State and local programs to feed students, the elderly, needy families, and others received over $900 million worth of food through the Department of Agriculture's (USDA) commodity donation program. About 90 percent of the donated food was for the school lunch program administered by the Food and Nutrition Service (FNS). Two other USDA agencies provide the commodities.
Findings/Conclusions: USDA has not fully and accurately determined users' commodity needs, and States order commodities without determining user needs or preferences. GAO recognizes the difficulty of balancing the program objective of purchasing commodities for surplus removal and price support with the objective of purchasing commodities that user agencies prefer and need. However, GAO believes that improvements can be made. At times, commodities are received too late for use or without advance notice. Occasionally, recipients have to purchase food items locally which they would normally receive through the program. USDA allows States to restrict the mode of transportation to truck or rail, which can result in excessive transportation charges. The Department should consider increased use of the free-on-board (FOB) destination basis for procurement. It has been suggested that the commodity donation program be replaced with a cash or letter-of-credit voucher system. This would allow recipient agencies to purchase desired food items locally using cash or credit vouchers provided by the Department. Opponents fear a possible increase in opportunities for fraud and abuse, an increase in program costs, and a lessening of market surplus response capability. GAO believes that testing should provide Congress with needed data on the pros and cons of the alternative systems.
Recommendations: The Secretary of Agriculture should evaluate the potential and actual effects of the USDA section 32 commodity purchases on the market prices and quantities available. The Secretary of Agriculture should establish specific procedures and a required reporting format to ensure that school districts' views on commodity preferences and needs are fully, accurately, and uniformly reflected in reports sent to State educational agencies by the State food distribution advisory councils. The Secretary of Agriculture should specifically show in the annual purchase plan how user needs and preferences affect the amount of funds that may be spent on commodity purchases. Analyses should be included showing the weights given such factors as commodity availability, market prices, and fund availability. The Secretary of Agriculture should require State distributing agencies to order commodities for recipient agencies based on demonstrated use and need rather than judgment and personal opinion. The Secretary of Agriculture should revise appropriate program regulations to require FNS to develop a formal monitoring system setting forth data to be maintained by State distributing and recipient agencies, how the data should be analyzed, and who is responsible for the analyses. The Secretary of Agriculture should require that all recipient agencies maintain perpetual book inventories; take periodic physical inventories and submit the results to the State along with copies of the source documents used; explain any differences between physical inventory counts and perpetual inventory balances; and develop and report monthly to State distributing agencies data showing, at a minimum, (1) beginning inventory, (2) commodities received during the month, (3) commodities used during the month, (4) ending inventory, and (5) the value of commodities used per meal prepared. The Secretary of Agriculture should direct FNS to develop a monitoring plan to be followed by State distributing agencies in monitoring commodity inventory levels at recipient agencies. The plan should require that, at a minimum, the State agencies (1) analyze monthly inventory reports submitted by the recipient agencies to identify excess and/or low inventory levels, poor inventory controls, and ineffective use of commodities; (2) identify causes of the problems, recommend positive action to alleviate them, and follow up to determine that corrective action is taken; and (3) visit a specified number of recipient agencies each year to take a physical inventory and review inventory control procedures. The Secretary of Agriculture should direct FNS to fully evaluate commodity inventory levels at the State distributing agencies by developing a monitoring plan that (1) requires States to continue to report commodity inventory levels as well as inventory levels in State-owned or -leased storage facilities, and to report inventory levels by program; (2) identifies the monitoring responsibilities of FNS headquarters and its regional offices; (3) specifies how those involved in monitoring should analyze the State inventory data and establishes reasonable timeframes for completing the analyses; and (4) specifies actions to be taken when FNS identifies problems with untimely, inaccurate, or incomplete reporting, excessive inventories, or lack of adequate inventory controls. The Secretary of Agriculture should direct FNS to require that States develop procedures for distributing commodities to recipient agencies based on reported needs rather than allocating commodities based on the number of meals served. The Secretary of Agriculture should (1) revise USDA procedures to require

that shippers provide specific written documentation regarding their inability to supply needed transportation and dates when the vendor requested transportation; (2) emphasize to the Agricultural Stabilization and Conservation Service the need to completely review vendor appeal cases and to sufficiently document its actions; (3) monitor FNS regional office efforts in getting States to adopt greater flexibility in the way they take delivery on commodities and, if necessary, require States to annually update their delivery capabilities; and (4) monitor the FOB-destination procurement of fruits and vegetables for the needy family program and, where cost-justified, expand such procurement of fruits and vegetables to other programs receiving donated commodities.

Agency Comments/Action

USDA said that it is difficult to totally balance the seemingly conflicting objectives of the donation program to purchase commodities for surplus removal and price-support purposes with the need to meet recipient agencies' preferences and needs. Nevertheless, in its October 1981 statement of actions taken on the recommendations, USDA outlined the actions it has taken or plans to take to correct the problems to which the recommendations are directed.

Appropriations

Child nutrition programs, special supplemental food programs, food donations program, and food program administration - Department of Agriculture, Food and Nutrition Service
Funds for strengthening markets, income, and supply (section 32) - Department of Agriculture, Food Safety and Inspection Service

DEPARTMENT OF AGRICULTURE

FOOD AND NUTRITION SERVICE

Insights Gained in Workfare Demonstration Projects (CED-81-117, 7-31-81)

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604)
Legislative Authority: Food Stamp Act of 1977. H.R. 3603 (97th Cong.). S. 1007 (97th Cong.).

The Food Stamp Act of 1977 requires that the workfare concept, in which food stamp recipients will be required to work on public service jobs for the value of their food stamp benefits, be tested in 14 pilot projects. GAO reviewed the first year's operation of the Food Stamp Workfare Demonstration, focusing on the operating results of seven demonstration sites, problems in measuring workfare benefits and costs, and the need for legislative and administrative changes that would help provide a more effective and efficient workfare operation.

Findings/Conclusions: GAO found that the maximum benefits available to the program were not realized because of shortcomings in Federal and local project design and administration. GAO suggested changes to increase household participation in workfare and help achieve workfare's basic objectives of: (1) deterring program participation by those who could work, but choose not to; (2) securing some repayment to taxpayers by those who are needy and receive assistance; and (3) introducing individuals to the work environment. Twenty-five percent of the program participants were in four categories which GAO did not believe merited automatic exemption from workfare. These categories were the participants in the Aid to Families with Dependent Children Work Incentive Program, recipients of unemployment insurance benefits, students, and members of households whose earned incomes were equal to or greater than their monthly food stamp benefits. As most households' workfare obligations were less than 5 days a month, it seemed unlikely that workfare obligations would be a problem to these recipients. GAO found that a 30-day job search period given to new referrals to the program allows some participants to receive food stamp benefits for 2 months before being assigned to a workfare job. It found that workfare sanctions are not effective deterrents to workfare noncompliance and need to be strengthened. Also, the cost effectiveness of workfare was not determinable, and there was inadequate reporting to Congress on improvements needed in the program design and administrative procedures.

Recommendations: The Secretary of Agriculture should modify workfare program regulations and administrative procedures to require that eligible participants be interviewed and assigned to public service jobs as soon as possible with approved exceptions only where large jurisdictions would encounter massive administrative burdens without a phase-in approach; require participating jurisdictions to randomly verify participants' reasons for not appearing for an interview or job assignment; require that participants not having a good reason for not completing their workfare obligation be immediately sanctioned; establish work standards for workfare assignments and impose sanctions for clearly substandard performance; and require that project design not restrict work benefits and provide for continuity of project operations. The Secretary of Agriculture should establish and implement an effective system for gathering information on all real benefits being achieved from the workfare demonstration, whether measurable in terms of dollars or not, to give a more accurate account of workfare's actual and potential benefits. Such benefits should include the value of work lost because sites did not immediately identify and assign eligible able-bodied persons to work when the demonstration began, as well as the impact of the demonstration on Food Stamp Program participation. The Secretary of Agriculture should obtain meaningful cost data to show what costs would be incurred in a regular, ongoing workfare program, as distinguished from a demonstration. The Secretaries of Agriculture and Labor should keep Congress fully informed about the problems and results of the workfare demonstration.

Agency Comments/Action

While USDA agreed that changes were needed in workfare program operations, no substantial revisions have been made for the extended demonstration phase. GAO believes that the recommended changes are necessary to achieve a fair test of the realizable benefits from the workfare concept.

Appropriations

Food Stamp Program and food program administration - Department of Agriculture, Food and Nutrition Service

Appropriations Committee Issues

The workfare concept is one of several methods that can be used to help control dollar growth of the Food Stamp Program. The Committees should inquire into USDA efforts to increase the number of hours worked and to deny benefits to those who are unwilling to work.

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DEPARTMENT OF AGRICULTURE

FOOD AND NUTRITION SERVICE

Efforts To Improve School Lunch Programs--Are They Paying Off?
(CED-81-121, 9-9-81)

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604)
Legislative Authority: School Lunch Act (42 U.S.C. 1751 et seq.). Child Nutrition Act (42 U.S.C. 1779). Omnibus Budget Reconciliation Act of 1981.

School food service programs across the Nation, especially in high schools, are having difficulty in effectively providing lunches to the Nation's children. Many programs are faced with increasing meal costs, declining student participation, plate waste, and unanswered questions about the nutrients in the meals. GAO reviewed seven school districts to determine if their innovative approaches were solving or aggravating problems in the lunch program.

Findings/Conclusions: None of the high school lunch formats reviewed met the program's recommended dietary allowances even though the lunches as offered, on the average, met or exceeded the amounts of food required by the Department of Agriculture. Because students also eat at other times of the day, there may be no health risk associated with these nutrient deficiencies. Upgrading the lunches' nutritional quality to meet all the goals may be difficult and may not be feasible in all cases because attempts to improve nutrition may adversely affect participation, cost, and plate waste. A test of a computer assisted nutrient standard system of meal planning is being conducted to develop menus based on nutritional value of foods rather than the meal pattern. A review of program regulations called for in the Omnibus Budget Reconciliation Act of 1981 could have an important impact on the nutrient content of school lunches and on program goals. Offering high school students a greater food selection and improving the eating environment seem to increase program participation. GAO found less plate waste in programs using the fast-food format versus the conventional format and that offering a variety of foods from which students may choose helps to reduce plate waste. Having fast-food and salad formats, in addition to the conventional format in a lunch program, does not necessarily increase costs. However, school lunch costs in the school districts which GAO reviewed continually increased from school years 1976-77 through 1979-80.

Recommendations: The Secretary of Agriculture should take a fresh look at Agriculture's one-third recommended dietary allowance (RDA) goal for school lunches and decide whether the achievement of some specified goal, such as one-third RDA, within acceptable limits of plate waste, cost, and student participation is considered unnecessary or impractical, and whether the goal should be dropped and the program should operate simply on the basis of providing a variety of foods within a specified meal pattern or some other achievable criteria. The Secretary should also decide whether the serving of lunches that will provide either one-third or some other specified percentages of the RDA's over time is considered important for students' nutritional well-being, and whether ways must be developed to ensure that the goal is essentially met within acceptable limits of plate waste, cost, and student participation. This could involve: requiring that different quantities of food be served to different age groups, specifying certain foods that must be served, expanding the menu planning guide to include lists of foods for nutrients not currently listed, providing guidance on how to incorporate certain hard-to-get nutrients into the lunches, providing guidance on minimizing loss of nutrients through preparation and storage, and/or implementing the computer assisted nutrient standard menu planning system nationwide after working with school districts currently testing the system to reduce the differences in expected and actual nutrient content of computer-planned meals. Other ways to achieve an RDA goal should be explored within Agriculture and with school food authorities and recognized experts in nutrition and food service.

Agency Comments/Action

The Department of Agriculture issued proposed regulations on September 4, 1981. These regulations changed some of the portion size requirements in the meal pattern and added to the creditable substitutions. The goal of one-third RDA was dropped. However, on September 25, 1981, the proposed regulations were withdrawn due to negative publicity, and Agriculture is currently making changes with plans to reissue the regulations at an as yet unspecified date.

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DEPARTMENT OF AGRICULTURE

FOOD SAFETY AND INSPECTION SERVICE

A Better Way for the Department of Agriculture To Inspect Meat and Poultry Processing Plants (CED-78-11, 12-9-77)

Budget Function: Agriculture: Agricultural Research and Services (0352)
Legislative Authority: Federal Meat Inspection Act (21 U.S.C. 601 et seq.) Poultry Products Inspection Act (21 U.S.C. 451 et seq.). Federal Food, Drug, and Cosmetic Act (21 U.S.C. 301 et seq.). Agricultural Marketing Act of 1946 (7 U.S.C. 1621 et seq.). Fish and Wildlife Act of 1956 (16 U.S.C. 742a et seq.; P.L. 87-718; 70 Stat. 663; 7 U.S.C. 450). 50 C.F.R. 260.97(d). 50 C.F.R. 260.103(f). 9 C.F.R. 318.4a.

The Federal meat and poultry inspection program provides for inspection of meat and poultry products moving in interstate and foreign commerce. Inspection is essential to protect the health and welfare of consumers and is carried out at slaughter and processing plants. The total Federal meat and poultry inspection cost increased from about $135 million in 1970 to about $242 million in 1976, an increase of 79 percent.

Findings/Conclusions: Under current procedures of the Department of Agriculture's Food Safety and Quality Service, which was renamed the Food Safety and Inspection Service in June 1981, most processing plants are inspected daily, even though an inspector may only spend a few hours each day at a plant. The Service's inspection resources could be used more efficiently and effectively if inspection frequency at processing plants was tailored to the inspection needs of individual plants. Periodic unannounced inspections would allow the Service to inspect more plants or inspect plants needing upgrading more frequently. Upgrading certain plants would provide greater assurance that consumers are getting wholesome, unadulterated, and properly branded products. Any system of periodic unannounced inspections should require an in-plant quality-control system. The authority to require plant managements to develop and carry out adequate, reliable quality-control systems should be coupled with authority to apply strong penalties or sanctions when plant managements fail to carry out their responsibilities under these systems.

Recommendations: Congress should amend the Federal Meat Inspection Act and the Poultry Products Inspection Act to authorize the Secretary of Agriculture to: make periodic unannounced inspections of meat and poultry processing plants; require meat and poultry processing plants to develop and implement quality-control systems; and withdraw inspection or impose civil penalties of up to $100,000 for processing plants failing to take appropriate action when the quality-control system identifies a deficiency or when plants fail to comply with inspection requirements. If Congress amends the Acts, the Secretary should develop criteria for deciding the optimal inspection frequency for individual processing plants and for assessing penalties within the provisions of the Acts. The Secretary should, in cooperation with industry, develop criteria for determining the quality-control systems needed at various types and sizes of processing plants.

Agency Comments/Action

On August 15, 1980, the Department published amendments to its meat and poultry inspection regulations (9 C.F.R. 318 and 381, effective September 15, 1980) which authorize voluntary quality-control systems for meat and poultry processing plants. In this publication, the Department said that it had considered the 1977 GAO recommendation for mandatory quality-control systems and had decided to hold in abeyance any immediate effort to seek the necessary legislative authority. According to Department officials, the Department based this decision on the belief that neither it nor the industry as a whole had sufficient technical data and knowledge to implement an industry-wide, mandatory program. GAO repeated the recommendation to Congress in an April 16, 1981, report entitled "Department of Agriculture Should Have More Authority To Assess User Charges" (CED-81-49). In its July 17, 1981, statement of action taken on the recommendation, the Department said that it was experimenting with and studying quality-control systems and that mandatory participation at this time was premature.

Appropriations

Salaries and expenses and refunds, inspection and grading of farm products - Department of Agriculture, Food Safety and Inspection Service

Appropriations Committee Issues

Inflation and Federal takeover of State inspection programs have been and will continue to be the major factors contributing to rising Federal inspection costs. These rising costs will continue unless Agriculture changes its basic approach to inspections. By tailoring inspection frequency to the inspection needs of individual processing plants, Agriculture could utilize its inspection resources not only more efficiently but also more effectively.

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DEPARTMENT OF AGRICULTURE

FOOD SAFETY AND INSPECTION SERVICE

Improving Sanitation and Federal Inspection at Slaughter Plants: How To Get Better Results for the Inspection Dollar

(CED-81-118, 7-30-81)

Budget Function: Agriculture: Agricultural Research and Services (0352)
Legislative Authority: Meat Inspection Act (21 U.S.C. 601 et seq.). Poultry Products Inspection Act (21 U.S.C. 451 et seq.).

GAO reviewed the administration of the Federal Meat Inspection Act and the Poultry Products Inspection Act by the Department of Agriculture's Food Safety and Inspection Service (FSIS) at meat and poultry slaughter plants that do business in interstate commerce. Certain areas were identified in which FSIS could improve inspection activities and plant managers could better carry out their responsibilities to assure that slaughter plant operations are sanitary and that meat and poultry products are wholesome, unadulterated, and properly marked.

Findings/Conclusions: Those areas needing improvement included: (1) sanitation; (2) pest control; (3) plant water systems; (4) product acceptance testing programs; (5) ante-mortem and post-mortem examinations; and (6) controls over condemned and inedible materials. Unannounced visits were made to 62 randomly selected meat and poultry slaughter plants in six States to evaluate plant and inspection staff compliance with inspection program requirements. Nearly one-fourth of those plants visited were not in compliance with one or more of the six basic inspection program requirements. The high incidence of unacceptable ratings and the large number of deficiencies found at plants not bad enough to warrant unacceptable ratings show that both plant managers and inspection program staff were not fully meeting their responsibilities. Part of this inadequacy could have been due to a shortage of trained inspectors caused by hiring and budget restrictions. Because of these shortages, certain inspection responsibilities had been neglected, including supervising line inspectors, performing acceptance tests, monitoring plant conditions and operations, and inspecting processing departments.

Recommendations: The Secretary of Agriculture should direct the Administrator, FSIS, to require meat and poultry inspectors and supervisors to enforce more strictly FSIS sanitation requirements at slaughter plants with objectives of improving day-to-day plant sanitation and having plants maintain better sanitation on their own initiative rather than responding to deficiencies pointed out by inspectors. The Secretary of Agriculture should direct the Administrator, FSIS, to more effectively monitor inspectors and inspection supervisors as they work to bring slaughter plants into compliance with sanitation requirements. The Secretary of Agriculture should direct the Administrator, FSIS, to instruct plant inspectors on the need to document all deficiencies found during sanitation inspections and emphasize to supervisors that deficiency records need to be kept. The Secretary of Agriculture should direct the Administrator, FSIS, to develop a system of financial disincentives for slaughter plant managers who allow less than sanitary conditions to exist in their plants. This kind of system could include financial penalties, for which legal authority would be required, for poor sanitation or scheduling preoperative inspections late enough so that correcting any problems found would delay slaughter operations. The Secretary of Agriculture should direct the Administrator, FSIS, to require supervisors, as a one-time effort, to determine compliance with inspection program water system requirements during one of their monthly visits to each slaughter plant and to prepare special reports on their findings and any corrective actions taken. The Secretary of Agriculture should direct the Administrator, FSIS, to issue more detailed guidelines on inspection program requirements for slaughter plant water systems and emphasize to inspectors and supervisors the importance of regularly inspecting these systems. The guidelines should include illustrations and descriptions of deficiencies likely to be encountered. The Secretary of Agriculture should direct the Administrator, FSIS, to require plant managers to obtain inspector approval of water system repairs and changes that could affect FSIS system requirements. The Secretary of Agriculture should direct the Administrator, FSIS, to improve FSIS monitoring of acceptance testing programs to assure that the programs are conducted in the prescribed manner and to better assure the programs' integrity. The Secretary of Agriculture should direct the Administrator, FSIS, to reevaluate and, where appropriate, strengthen the acceptance criteria to provide consumers with greater protection against receiving meat products contaminated or adulterated by dressing defects. The Secretary of Agriculture should direct the Administrator, FSIS, to improve the acceptance testing programs by providing more detailed guidance for selecting random cattle carcass samples when the day's operation is longer or shorter than anticipated and by prescribing security measures to assure that cattle carcasses are not tampered with before the acceptance tests. The Secretary of Agriculture should direct the Administrator, FSIS, to consider the findings in this chapter in developing a swine carcass acceptance testing program and in any revision of the cattle and poultry acceptance testing programs. The Secretary of Agriculture should direct the Administrator, FSIS, to instruct slaughter plant inspectors and supervisors to give increased attention to assuring that ante-mortem facilities and equipment are properly maintained and that inspectors perform their examinations of edible and inedible products in the prescribed manner. The Secretary of Agriculture should direct the Administrator, FSIS, to develop a formal program for reinspecting edible meat byproducts. The program should provide a reliable indicator that the product sampled

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is representative of the universe sampled and should include specific guidance to inspectors for conducting reinspections and documenting the results. The Secretary of Agriculture should direct the Administrator, FSIS, to emphasize to meat and poultry inspection program supervisors the importance of taking effective actions to bring plants up to acceptable levels of compliance when they are found to be out of compliance. The Secretary of Agriculture should direct the Administrator, FSIS, to provide meat and poultry inspection program supervisors with improved plant-rating criteria that can be applied uniformly and that specify review findings which require a plant to be rated unacceptable in each rating area and overall. The Secretary of Agriculture should direct the Administrator, FSIS, to require meat and poultry inspection program supervisors to document the results of their required monthly plant reviews.

Agency Comments/Action

The Department had not taken a position on the recommendations at the time of the report; however, Department officials who provided oral comments on a draft of the report expressed concern about whether a system of financial disincentives for plants not complying with inspection requirements could be equitably administered and whether such a system would be effective. GAO believes that the system could be equitably administered if done at a high enough level and that it could be an effective enforcement tool, short of withdrawing inspection, to deal with plants having serious or regular sanitation problems.

Appropriations

Salaries and expenses - Department of Agriculture, Food Safety and Inspection Service

Appropriations Committee Issues

The Committees should assure that the Department takes the actions necessary to resolve the problems discussed in the report.

DEPARTMENT OF AGRICULTURE

FOREST SERVICE

Forest Service Efforts To Change Timber Sale Method
(RED-75-396, 7-16-75)

Budget Function: Natural Resources, Environment and Energy: Conservation and Land Management (0302)
Legislative Authority: S. Rept. 93-1069.

The primary timber sale method used in the Forest Service's western regions has been log measurement. Under this method a purchaser agrees to pay for logs on the basis of a Forest Service or scaling bureau estimate of the marketable volume of wood in logs that have been cut. In recent years, the Service has been trying to increase its western regions' use of the tree measurement method of selling timber. Under this method the purchaser agrees to pay a specific amount for the timber in a sale area on the basis of a Forest Service estimate of the marketable volume of wood in the trees before they are cut down. Because of industry opposition to this method, the Service has attempted, through test sales, to obtain data to compare the two methods.

Findings/Conclusions: In a report to Senator Pete V. Domenici, GAO pointed out that, because the Service had not provided special funds and adequate guidelines and procedures for conducting test sales, (1) there had been inconsistencies among the regions in carrying out the test sales, and (2) the relative accuracy and cost of the two methods had not been determined. The Service issued revised guidelines and procedures in March 1975 but had not established a test-sale program completion date or plans for special funding. Until the program is completed, the Service will not be able to provide well-documented evidence to settle the questions of effectiveness and costs of the two methods.

Recommendations: The Forest Service should set dates for completing test sales, provide its regions with the funds needed to conduct adequate and timely test sales, and evaluate and report the results of such sales to appropriate congressional committees.

Agency Comments/Action

Although Forest Service officials consider tree measurement to be a valuable and necessary technique applicable to a variety of forests, test sales have been done only on a limited basis in the western regions. The Forest Service has allocated $225,000 to each of the three western regions for such test sales during fiscal year 1982.

Appropriations

Forest management, protection, and utilization - Department of Agriculture, Forest Service

Appropriations Committee Issues

The Forest Service needs to make sure that its regions conduct adequate and timely test sales to provide data sufficient to compare the accuracy and costs of the two sales methods.

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FOREST SERVICE

Proposed Forest Service Land Exchange Involving the Chattahoochie National Forest in Georgia (CED, 12-17-80)

Budget Function: Natural Resources and Environment: Conservation and Land Management (0302)
Legislative Authority: Forest Management Act. Land Policy and Management Act (43 U.S.C. 1716). Weeks Act (Protection of Watersheds) (16 U.S.C. 516).

GAO was asked to review a proposed Forest Service land exchange involving the Chattahoochie National Forest. The proposal called for the owners of private property in Chattooga, Walker, and Whitfield Counties to swap their land in exchange for Forest Service acreage within the National Forest.

Findings/Conclusions: The Forest Service land, after two appraisals, was valued at $328,000. Neither of the appraisals considered the added value to the land of a road which is being built on the Forest Service land by Whitfield County and the Department of Transportation. GAO was told that a contract had been signed with Whitfield County for the road and that the Department will contribute about $314,000 toward the construction. The appraiser has indicated that the highest and best use of the Forest Service land would be future residential development and that this portion of the land will be bisected by the road. GAO believes that, once the road is completed, the value of the Forest Service land will increase significantly. This will give the Forest Service an opportunity to acquire more private land for the National Forest system than would be obtained under the presently proposed exchange. GAO believes that the proposed exchange would not be prudent or in the best interests of the Government.

Recommendations: The Chief of the U.S. Forest Service should disapprove and terminate the land exchange as presently proposed. The Chief of the U.S. Forest Service should assure that, once the road is completed, the value of the Forest Service land be redetermined by professional appraisers not previously involved in this matter and, if appropriate, new efforts to accomplish an exchange on an appropriately adjusted basis should be undertaken.

Agency Comments/Action

On January 14, 1981, Forest Service Officials said that they would discontinue processing the exchange until they obtained new appraisals for both the Federal and non-Federal lands. Subsequently, a second appraisal was made of the land involved in the exchange. As of September 2, 1981, the Forest Service had not completed action on this exchange.

Appropriations

Forest management, protection, and utilization - Department of Agriculture, Forest Service

Appropriations Committee Issues

To assure that full value is received for Federal land, the Committees should inquire into the appraisal process the Department uses in its land exchange program.

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DEPARTMENT OF AGRICULTURE

FOREST SERVICE

Need To Reevaluate Helistat Program Objectives and Progress (MASAD-81-31, 6-2-81)

Budget Function: Agriculture (0350)
Legislative Authority: Forest Management Act.

GAO reviewed the status and objectives of the Forest Service's Helistat program.

Findings/Conclusions: GAO found that fundamental acquisition management principles that should have been applied in the Helistat program's development have not been applied. In managing the program, the Forest Service has unnecessarily tied program milestones to land management planning timeframes and moved too hastily, thereby overlooking essential considerations in planning a development strategy. For example, potential users were not contacted before beginning the program to get their participation and advice for determining the need for, uses of, and operational requirements for a Helistat concept vehicle. Information which GAO has developed from contacting potential users shows that it is questionable whether the Helistat concept under development will have practical application as a timber harvesting method. In addition, the system being developed cannot be reproduced without substantial redesign. Consequently, it will not be useful in demonstrating the economics of aerial logging, the principal objective of the development program. Finally, the Navy, which is administering the development contract for the Forest Service, is being hampered in its efforts to obtain data that are necessary to evaluate the program's progress, particularly regarding the engineering adequacy and safety of the vehicle being developed.

Recommendations: The Secretary of Agriculture should direct the Chief, Forest Service, to restructure the development effort to include a complete state-of-the-art design and data package from which future Helistat concept vehicles could be built and from which more accurate estimates of the economics of aerial logging could be made. The Secretary of Agriculture should insure that program milestones not be tied to land management planning time frames. The Secretary of Agriculture should direct the Chief, Forest Service, to include as part of the program a requirement that estimates be made of the economics of private industry logging based on a state-of-the-art Helistat concept vehicle. The Secretary of Agriculture should direct the Chief, Forest Service, to give the contract administrator, the Naval Air Development Center, sufficient freedom to use its authority to make decisions on the adequacy of Helistat contract performance and on the future funding obligations under the contract. The Secretary of Agriculture should reevaluate the Helistat program before making any further funding obligations on the vehicle's development contract. This reevaluation should include the participation and advice of potential users to determine if the Helistat is needed, how it could be used, and the operational requirements for such a vehicle.

Agency Comments/Action

The National Aeronautics and Space Administration and the Naval Air Development Center (NADC) concurred with the GAO recommendations regarding the Navy's contract administration problems. However, program managers in the Forest Service: (1) question the value of obtaining more user input to the program; (2) believe NADC contract administrators are seeking to impose data and test requirements on the contractor that are more demanding than called for; (3) believe time and funding restrictions require that the program remain structured as is; and (4) believe that they can coax private industry into developing state-of-the-art Helistat concept vehicles following completion of the current demonstration program by offering future National Forest timber sales contracts which specify no road building within five miles of timber stands. The Department of Agriculture Statement of Action on Recommendtions to the House Committee on Government Operations and the Senate Committee on Governmental Affairs was prepared by the Forest Service and released on August 27, 1981. It states that: (1) the Helistat program was thoroughly evaluated before congressional budgetary consideration was sought; (2) the Forest Service is developing a feasibility demonstrator; (3) a prototype would cost about $100 million; and (4) Congress and the Administration found its low-cost, low-risk approach appealing. It states that the Department is directing the Forest Service to continue the Helistat without modification.

Appropriations

Forest management, protection, and utilization - Department of Agriculture, Forest Service
Forest research - Department of Agriculture, Forest Service
Renewable resource management, and utilization research - Department of Agriculture, Forest Service

BEST DOCUMENT AVAILABLE

DEPARTMENT OF AGRICULTURE

RURAL ELECTRIFICATION ADMINISTRATION

Rural Electrification Administration Loans to Electric Distribution Systems: Policy Changes Needed (CED-80-52, 5-30-80)

Budget Function: Community and Regional Development: Area and Regional Development (0452)
Legislative Authority: Rural Electrification Act of 1936 (7 U.S.C. 901-902). Emergency Relief Appropriation Act of 1935 (49 Stat. 115). (P.L. 93-32; 87 Stat. 65). Executive Order 7037. S. Res. 21 (86th Cong.). REA Bull. 2-1.

Rural Electrification Administration (REA) loans and other assistance have played a major role in bringing electric service to rural America since 1935. Although some electric distribution systems continue to need loan subsidies, others could qualify for and obtain long-term credit from other sources at reasonable rates and terms and still have comparable costs and charge comparable electric rates. Changes are needed in REA loan policies and procedures to identify these borrowers, and to better match loan subsidies with individual borrower needs.

Findings/Conclusions: Under its policies and procedures, REA has made limited progress in encouraging systems to become financially self-sufficient. About 42 percent of the borrowers GAO reviewed could probably qualify for non-REA loans at reasonable rates and terms. Some of these have high costs which would be passed on through charging relatively high electric rates. However, others have low costs and could absorb increased interest costs without increasing electric rates. REA loan-making criteria do not adequately correlate the type and/or amount of subsidized loan REA will provide with the borrower's needs. Thus, borrowers with high costs can receive the same subsidy or even less than those with low costs. The REA administrator advised GAO that using rate comparability criteria for determining need for assistance would be difficult because of such matters as differences in geographic energy use and supply, and in State rate-setting agencies. Recognizing these difficulties, GAO concluded that, since the most important factor in establishing electric rates is borrowers' costs, cost comparability should be used as a substitute for rate comparability.

Recommendations: The Secretary of Agriculture should direct the Administrator of REA to develop a legislative plan for revising the policies for making insured loans to rural electric distribution systems. As a part of the plan, the Administrator should develop criteria (1) for determining which electric distribution system borrowers qualify for long-term loans from private creditors at reasonable rates and terms; and (2) based on cost comparisons with investor-owned utilities, for determining the subsidized loans needed, if any, by electric distribution system borrowers to enable them to charge comparable electric rates. Also, the Secretary should direct the Administrator to establish a minimum equity level goal for borrowers, require borrowers with low equities to develop plans to increase their equity levels to the goal established and, in reviewing electric rate changes, ensure that the borrowers' rates are, where practicable, sufficient to generate the income needed to meet equity level objectives set forth in the plan.

Appropriations

Rural electrification and telephone revolving fund loan authorizations - Department of Agriculture, Rural Electrification Administration

Appropriations Committee Issues

Presently, program subsidy costs are financed through the assets of the Rural Electrification and Telephone Fund; however, it is projected that by the year 2000 annual appropriations of over $2 billion will be required. Implementation of the GAO recommendations to base loan subsidies on what each borrower needs to help charge reasonable electric rates would result in a more equitable distribution of funds and better achieve program objectives.

BEST DOCUMENT AVAILABLE

DEPARTMENT OF AGRICULTURE

RURAL ELECTRIFICATION ADMINISTRATION

Financing Rural Electric Generating Facilities: A Large and Growing Activity (CED-81-14, 11-28-80)

Budget Function: Community and Regional Development: Area and Regional Development (0452)
Legislative Authority: Emergency Relief Appropriation Act of 1935 (49 Stat. 115). Rural Electrification Act of 1936 (7 U.S.C. 901 et seq.). Financing Bank Act (Federal) (12 U.S.C. 2281). Executive Order 7037. P.L. 93-32.

The Rural Electrification Administration (REA), through insured and guaranteed loans, makes available billions of dollars in financing to construct electric generating and transmitting facilities to meet the increasing demands for electricity in rural areas.

Findings/Conclusions: To gain better budgeting control and increase private credit involvement, GAO believes that changes are needed in how this financing is budgeted for and funded. In making and guaranteeing loans, the prime concern of REA must be the borrower's ability to repay the loans. The agency has little funding flexibility to finance demonstration projects, studies, or programs designed to solve the Nation's energy problems. Other organizations are funding such efforts. REA should act as a catalyst by evaluating and disseminating information about these studies and projects to its borrowers. REA may wish to seek broader funding authority to conduct its own demonstration projects.

Recommendations: Congress should require that the receipts and disbursements of all off-budget Federal agencies that borrow from the Federal Financing Bank (FFB) be included in the Federal budget totals. Congress should require that certificates of beneficial ownership be treated as agency obligations and, therefore be treated in the Federal budget as borrowing. Congress should revise the Rural Electrification Act of 1936 to limit REA's guarantee of loans made by non-FFB lenders to 90 percent or some other appropriate percentage. Congress should revise the Rural Electrification Act of 1936 to eliminate the prohibition against REA charging a fee for the guarantee and, instead, require that a loan guarantee fee be assessed and used for funding a reserve for losses. Congress should require that FFB receipts and disbursements be included in the Federal budget totals. The Secretary of Agriculture should direct the Administrator of REA to assimilate information on and evaluate the various energy-related demonstration and study projects funded by other agencies and organizations so that this information can be disseminated to and used by all REA borrowers. The Secretary of Agriculture should direct the Administrator of REA to determine whether REA efforts to help solve our Nation's energy problems could be significantly enhanced if REA had authority to fund its own demonstration and study projects and, if necessary, recommend appropriate legislative changes to obtain such authority. The Secretary of Agriculture should direct the Administrator of REA to improve the power demand forecasts made by power supply systems (1) require borrowers to prepare multiple forecasts of demand to reflect different levels of conservation efforts and (2) implement those recommendations made by the NRECA/CFC task force which are compatible with the revised forecasting methodology to be adopted. The Secretary of Agriculture should direct the Administrator of REA to have a cost data bank developed for use by REA officials in determining the reasonableness of estimated costs of proposed projects. The Secretary of Agriculture should direct the Administrator of REA to revise the REA loan approval process with a view toward intensifying the agency's evaluation of the adequacy of the feasibility study supporting the loan request. The Secretary of Agriculture should direct the Administrator of REA to require that REA borrowers take aggressive action to solicit the views and opinions of individual consumer/members and other private citizens, as appropriate, in the early stages of the power supply systems' long-range planning process and in other major decisions. The Secretary of Agriculture should direct the Administrator of REA to help improve the planning for major generation and transmission facilities financed by REA and better meet our Nation's energy goals, revise the REA power planning bulletin to require power supply systems to (1) perform in-depth, systemwide studies of all reasonable alternatives and supplemental power supply options to ensure that the most appropriate mix of alternatives for meeting the energy needs of rural consumers is chosen and (2) incorporate such studies in their loan application packages and long-range plans. The Secretary of Agriculture should direct the Administrator of REA to require applicants seeking a guaranteed loan to obtain at least part of their loan from CFC or other private lenders, which portion would be gradually increased as conditions warrant.

Agency Comments/Action

In its February 1981 statement on actions taken, the Department of Agriculture continued to disagree with the GAO recommendations for the same reasons as those discussed in the report. Also, the recently enacted Omnibus Budget Reconciliation Act of 1981 negates the need for the Department to require applicants for REA guaranteed loans to obtain part of their loan from private lenders as GAO recommended. The Act requires FFB to fund any REA guaranteed loan guarantee recipient.

Appropriations

Rural electrification and telephone revolving fund loan authorizations - Department of Agriculture, Rural Electrification Administration

BEST DOCUMENT AVAILABLE

Appropriations Committee Issues

Federal credit assistance funded through the Federal Finance Bank, such as the REA guaranteed and insured loans, should be reflected on-budget to enable such programs to compete for resources on the same basis as the other on-budget programs. Implementation of the GAO recommendations would accomplish this. Other recommendations if implemented could help reduce the cost of generating and transmission projects thus (1) reducing the size of the REA guaranteed loans and the risk associated with such loans and (2) resulting in lower cost electricity for users.

BEST DOCUMENT AVAILABLE

DEPARTMENT OF AGRICULTURE

SCIENCE AND EDUCATION ADMINISTRATION

The Cooperative Extension Service Should Provide Farmers With More Information on Farm Credit Sources (CED-80-45, 2-27-80)

Budget Function: Community and Regional Development: Area and Regional Development (0452)
Legislative Authority: Food and Agriculture Act of 1977. P.L. 94-305.

Farmers are finding more than ever that borrowing is a necessity. However, information on sources of credit, interest rates and terms, and how to apply for farm credit is available only on a piecemeal basis from lenders, the Cooperative Extension Service, and other sources. While the supply of credit from the numerous farm lenders has generally been adequate to meet the needs of qualified borrowers, beginning and marginal operators have had problems getting credit and repaying outstanding loans. Lenders may determine that a farmer lacks sufficient repayment ability or collateral or, in other instances, local credit conditions or lending practices may restrict the number of credit sources available. However, several potential sources of credit often exist for a given situation, with different effects on the borrower. Further, the time required to process and approve an application, loan servicing, availability of funds during periods of tight credit, and the amount of downpayment required can significantly affect a borrower's ability to repay a loan, make a profit, and succeed in business. In an effort to meet the farmer's need for increased availability of credit information, GAO randomly sampled 419 farmers nationwide who have applied for farm credit in the past 5 years and are able to make the financial decisions for the farm they own or operate. Over one-third of the responding farmers had not heard of 10 or more of the 16 basic types of farm lenders. In addition, a large number of the sampled farmers were unaware of the types of loans available from each of the five largest lenders. A range of from 14 to 92 percent of the farmers who applied only for short-term loans were not aware of which of the five major lenders make this type of loan. Similar results were obtained for those farmers who applied for long-term loans.

Findings/Conclusions: Fifty-one percent of the sample farmers said that a central source of credit information is definitely needed. Conversely, 32 percent said a central information source is definitely or probably not needed. Support for a central information source is strongest among young, beginning, and small volume farmers. The weakest support was expressed by the older, more experienced farmers. Farmers who said that a central credit source was not needed were slightly more knowledgeable about major lenders than the overall sample of farmers. Nevertheless, many of these farmers lack basic knowledge about the availability of credit from major lenders and know even less about the smaller volume lenders. GAO believes that although existing programs cannot practicably fulfill all of the farmers' credit information needs, the Cooperative Extension Service could provide more information because of the availability of its personnel and network of county offices in farming communities. Providing a central source of credit information would supplement other Federal programs designed to aid the family farm sector, and this information would: (1) identify private and public credit programs available to help potential farmers get a start in farming; (2) help financially sound farmers to improve their efficiency, and (3) direct financially marginal farmers to the private and public credit sources that can help them remain in business.

Recommendations: The Secretary of Agriculture should: (1) have the Director, Science and Education Administration, encourage State Cooperative Extension Services to provide farmers with more information on farm credit sources which should include allocating special project funds to several States interested in preparing a credit information handbook or an experimental basis at both the State and local levels; and (2) at the conclusion of the experiment, gather and provide to Congress and each State Cooperative Extension Service information on the handbooks' costs, its usefulness to farmers, and the impact of the increased workload on the extension staffs.

Agency Comments/Action

The Science and Education Administration has contracted with South Carolina for the development of a credit information handbook. In addition, an overall project is underway in Minnesota on farm and financial management, which could result in providing farmers with more or better information on farm credit sources.

Appropriations

Cooperative Extension Service - Department of Agriculture, Science and Education Administration

Appropriations Committee Issues

The Committees should inquire into the Science and Education Administration's plans for funding projects to: (1) have the States prepare supplements for the handbook to reflect the unique credit programs of their State; (2) distribute the handbooks and supplements to existing and potential farmers; and (3) extend the Minnesota project to other States.

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DEPARTMENT OF AGRICULTURE

SOIL CONSERVATION SERVICE

Continuation of the Resource Conservation and Development Program Raises Questions (CED-81-120, 8-11-81)

Budget Function: Natural Resources and Environment: Conservation and Land Management (0302)
Legislative Authority: Bankhead-Jones Act (Farm Tenant) (7 U.S.C. 1010; 7 U.S.C. 1011; 50 Stat. 525). Soil Conservation and Domestic Allotment Act (16 U.S.C. 590a et seq.; 49 Stat. 163).

GAO reviewed the Department of Agriculture's Resource Conservation and Development (RC&D) program and the administrative and legislative changes needed to improve the control and operation of the program.

Findings/Conclusions: GAO was unable to develop a clear picture or measure of overall benefits under the program because program accomplishments are not clearly distinguishable at either the project or measure level. The principal problems involved lack of useful data, the intangible nature of some benefits, and varying or unknown degrees of project involvement. GAO was able to obtain cost information on the program overall and on each project but not on individual project measures. Pertinent technical assistance costs were not shown for individual measures. The omission of technical assistance costs in reporting completed measures seriously limits any attempt to evaluate the program's benefits in relation to its costs. Funds appropriated for cost sharing with local sponsors under the program have been used to finance many measures for which other Federal programs have been established. Once projects are authorized, they remain on the rolls indefinitely. Federally assisted sub-State planning organizations have the potential to become an alternative delivery system for activities carried out under the program because they perform many of the same functions. Some projects' area plans which specify goals and objectives and measures to be undertaken have not been updated as required by program procedures.

Recommendations: If Congress decides to continue the RC&D program, it should legislatively discontinue the use of program funds for installing project measures currently authorized for financing under cost sharing arrangements. If Congress decides to continue the RC&D program, it should legislatively require the Secretary of Agriculture to establish procedures for periodically reviewing project operations and deauthorizing projects which are no longer active or have developed the capabilities necessary to continue operating without Federal involvement. If Congress decides to continue the RC&D program, it should legislatively direct the Secretary of Agriculture to establish several pilot projects where sub-State organizations would assume the functions of RC&D projects. Upon completion of such tests, the Secretary should be required to provide Congress an evaluation of the test results with such recommendations as may be indicated for transferring additional RC&D project functions to sub-State organizations or the reasons for retaining the functions within the existing RC&D program structure. The Secretary of Agriculture should require the Soil Conservation Service (SCS) to account for and identify the costs of providing technical assistance for each project measure. The Secretary of Agriculture should require SCS to improve its program information system to provide data which would permit better assessment of project benefits. The Secretary of Agriculture should require SCS to monitor the program more closely to assure that the projects' area plans are up to date and reflect any changed conditions in project circumstances. The Secretary of Agriculture should require SCS to develop and incorporate an approved evaluation procedure into the program's management process.

Agency Comments/Action

In a letter dated June 19, 1981, USDA generally agreed with all but one of the GAO recommendations and outlined actions it was taking or planned to take. It did not agree with the GAO recommendation that Congress eliminate program cost-sharing.

Appropriations

Resource conservation and development - Department of Agriculture, Soil Conservation Service

Appropriations Committee Issues

The Committees need to determine whether continued funding and authorization of the program is warranted. If the program is to continue, the Committees need to monitor the implementation of the GAO recommendations aimed at improving program operations.

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STATISTICAL REPORTING SERVICE

Corrective Action, Reported by Department of Agriculture on a Factor Involving Federal Rice Deficiency Payments, Has Not Been Implemented

(CED-80-48, 1-29-80)

Budget Function: Agriculture: Farm Income Stabilization (0351)
Legislative Authority: Agricultural Act of 1949 (7 U.S.C. 1441). Rice Production Act of 1975 (P.L. 94-214; 90 Stat. 181). Food and Agriculture Act of 1977 (P.L. 95-113; 91 Stat. 940).

On June 25, 1979, GAO reported to Congress that the statistics agency of the Department of Agriculture (USDA), disagreed with a GAO proposal that it include in its computation of the national average market price of rice a factor to recognize the drying costs involved when farmers deliver green (high moisture) rice rather than dry rice to a rice miller. Omission of this factor caused deficiency payments to farmers to be about $10.6 million more than they otherwise should have been for the 1976 rice crop and $5 million more for the 1978 crop.

Findings/Conclusions: In an August 14, 1979, statement to congressional committees on action taken on the GAO proposal, USDA said it had taken action to provide for a common basis for reporting quantity and price data on green and dry rice. However, further inquiries showed that while USDA made a slight procedural change to obtain quantity data on a common basis, it had not changed the way amounts paid for green rice are reported. Because the average market price is a key factor in determining whether and how much rice farmers will receive in Federal deficiency payments, the manner in which the average price is computed is economically important to taxpayers as well as farmers.

Recommendations: Congress should amend the Agricultural Act of 1949 to provide that the quantities and amounts paid on rice purchases reported by millers be compiled on a common basis in computing the national average market price.

Appropriations

Salaries and expenses - Department of Agriculture, Statistical Reporting Service

Appropriations Committee Issues

Congress may have been misled by the USDA August 14, 1979, statement that action had been taken to provide for a common basis for reporting quantity and price data on green and dry rice. The Committees should inquire into the USDA reluctance to change the manner in which the average price of rice is computed so that the amounts paid for green rice will be comparable and equitable with the amounts paid for dry rice.

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DEPARTMENT OF COMMERCE

Knoxville Expo '82: Why Changes Are Needed in Law on Reuse of U.S. Pavilions at International Expositions (PLRD-81-11, 3-20-81)

Budget Function: General Government: General Property and Records Management (0804)
Legislative Authority: P.L. 91-269. P.L. 96-169. OMB Circular A-102.

An international exposition on energy, Expo '82, will be hosted by Knoxville, Tennessee. GAO was requested to review the bidding practices associated with the Knoxville International Energy Exposition. Work being done by the Department of Commerce was reviewed, and officials at the Department of Housing and Urban Development's (HUD) Urban Development Action Grant office were interviewed. HUD officials were responsible for reviewing and approving the grants made to Knoxville for Expo '82.

Findings/Conclusions: Although the General Services Administration (GSA) and Commerce worked together initially in planning for the residual use of the U.S. pavilion at Expo '82, a firm Federal reuse plan never materialized. Without one, construction of a permanent-type pavilion is not justified. However, the law does not specify that a less costly, temporary pavilion should be built when no such plan exists. In 1976, GAO had recommended that a temporary structure be built when a firm Federal reuse plan had not been developed. Commerce's decision to continue building a more costly permanent facility was not a prudent use of Federal funds. The sponsors of Expo '82 were late in putting together an adequate financial plan. As a result, Commerce had to delay its request for authorizing and funding legislation. Because of insufficient lead time, GSA declined to manage the construction, and Commerce had to hire a construction manager and overlap the design and construction phases. The pavilion has had items deleted to meet cost limitations and tight time schedules. Department of Energy officials say that the pavilion will not demonstrate energy technology advancement as originally planned. Competitive bidding was not required for the seven projects leveraged with an action grant, but HUD has included a limitation on profits in the grant agreement. GAO could not determine the amount of profits that will be realized by the developers and the subcontractors, because only limited contract awards had been made at the time of its review.

Recommendations: Congress should amend section 3(c) of Public Law 91-269. The Secetary of Commerce should disclose to Congress in the justification for authorization and appropriation of funds whether sufficient lead time is available to design and build a permanent pavilion using conventional contracting procedures. If the lead time is insufficient but a permanent facility is warranted, Commerce should disclose the basis for its decision and the extra cost that will be incurred.

Agency Comments/Action

Commerce agrees with the recommendations with some qualifications.

Appropriations

Participation in U.S. expositions - Department of Commerce

Participation in U.S. expositions - General Services Administration

Appropriations Committee Issues

The Committees should not appropriate funds for the construction of a permanent pavilion unless there are plans for its later reuse.

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APPALACHIAN REGIONAL COMMISSION

Should the Appalachian Regional Commission Be Used as a Model for the Nation? (CED-79-50, 4-27-79)

Budget Function: Community and Regional Development: Area and Regional Development (0452)
Legislative Authority: Appalachian Regional Development Act of 1965.

The Appalachian Regional Commission (ARC) is an experiment to see whether effective policy and plans can be made for the economic, social, and environmental growth and development of Appalachia. The Commission considers its program a model for the Nation and recommends that the concept be expanded to a nationwide system of multistate commissions. However, such expansion would be premature until the problems and unresolved issues are thoroughly considered.

Findings/Conclusions: Problems include program planning and evaluation, fund allocation procedures, internal controls, and monitoring State expenditures.

Recommendations: The Commission should: (1) amend its basic policy to require that each State plan address the same development problems; (2) develop and adopt additional written guidelines for State and district planners; (3) use its regional development planning process to establish specific goals in terms of acceptable education, employment, health, housing, income, and other standard-of-living levels; (4) require States to provide some fixed minimum level of State financial contribution for nonhighway programs and limit each State's nonsupplemental use of supplemental funds; and (5) define more clearly what each State's evaluation capability should be, set target dates by which that capability should be in place, establish a long-range fiscal plan addressing future Federal and State commitment to the program, and make provisions to evaluate program effectiveness within a reasonable period of time. Congress should amend the Appalachian Regional Development Act to require the Commission to monitor State expenditures in both the Appalachian and non-Appalachian parts of each State and establish a more current base level of State expenditures for the Act's maintenance-of-effort requirement.

Agency Comments/Action

It was agreed by Commission resolution that infant mortality, education, housing, and energy warrant priority attention on a regional basis. Specific goals are being established to address these areas, specific funding commitments have been made, and a requirement was established that States report annually on strategies, funding, and progress in meeting area goals. Also, internal controls have been established for project closeout.

Appropriations

Appalachian regional development programs - Appalachian Regional Commission

DEPARTMENT OF COMMERCE

BUREAU OF THE CENSUS

Procedures To Adjust 1980 Census Counts Have Limitations (GGD-81-28, 12-24-80)

Budget Function: General Government: Other General Government (0806)
Legislative Authority: S. 1606 (96th Cong.). U.S. Const. art. I, 2. U.S. Const. amend. XIV. 13 U.S.C. 141. 13 U.S.C. 195.

The number of congressional representatives a State receives, as well as district boundaries, are determined by a decennial census. A number of communities, contending that the 1980 census has missed large numbers of persons and that this undercounting will result in their citizens being shortchanged in political representations and Federal fund distributions, have taken legal action to have the census count adjusted for the undercount. The Census Bureau dropped a postenumeration survey for estimating 1980 census errors at subnational levels, so that preliminary estimates would be available sooner. GAO reported on the Census Bureau's ability to develop accurate undercount estimates for subnational levels and the effect of dropping a planned post-census survey on the prospects for developing accurate undercount estimates.

Findings/Conclusions: Estimates of census errors at subnational levels are needed for correcting census data. Statistical analysis might help in estimating census error at subnational levels. To date, however, the agency had not set up a formal program of applied research for this purpose. The Bureau has primarily used two coverage evaluation techniques, the demographic method and matching studies. These techniques, as implemented by the Bureau, do not provide estimates at geographical levels compatible with census data user needs. The demographic method suffers from limited data, notably the absence of reliable estimates for the size of certain age groups and for the number of illegal aliens. Matching studies, both reinterview studies and reverse record checks, involve the comparison of a list of sample persons or households to the census. Matching techniques have major weaknesses. People tend to respond to a reinterview study in the same way they do to census enumeration. Persons missed by the census are likely to be missed by the reinterview study, and incomplete or invalid data prevent the Bureau from resolving whether a person has been omitted from the census. Matching is a time consuming process because it requires manual comparison case by case. Although other statistical methods of analysis for estimating coverage are available, the Bureau has made little use of them. In many communities, an increase in their census count will not proportionately increase their share of Federal funds.

Recommendations: Congress should enact legislation requiring that the Secretary of Commerce submit a report to the appropriate congressional committees having jurisdiction over the census 18 months prior to each census, on whether and how he intends to prepare credible estimates of over/undercount at subnational levels, including characteristics for the undercounted persons. The report should include the cost and time needed to make these estimates and an independent assessment of the Bureau's proposed methods. The Secretary of Commerce should require for future censuses: (1) that the Director of the Bureau of the Census determine the feasibility of providing credible estimates of over/undercounts and distributing them to needed user levels, and if feasible prepare detailed information to describe the methods to be used, including the expected reliability of such estimates as well as the time and costs needed for these efforts; and (2) an independent assessment of the Bureau's proposed methods be made. The Secretary of Commerce should require that the Director of the Bureau of the Census organize a program of experiments using statistical analysis to determine whether improved estimates can be developed of the true population at State and substate levels.

Agency Comments/Action

The Department of Commerce disagreed with the recommendations. GAO believes that the recommendations are appropriate as evidenced by the limited quality of the Census Bureau's undercount estimates and the cost involved in making the estimates. Elements of the legislative recommendations were incorporated in H.R. 1990, introduced in the 97th Congress.

Appropriations

Periodic censuses and programs - Department of Commerce, Bureau of the Census

DEPARTMENT OF COMMERCE

ECONOMIC DEVELOPMENT ADMINISTRATION

Changes Proposed for the Funding of Public Works Projects Would Expedite Economic Development and Job Opportunities

(CED-77-86, 7-7-77)

Budget Function: Community and Regional Development: Area and Regional Development (0452)
Legislative Authority: Public Works and Economic Development Act of 1965 (42 U.S.C. 3121).

Fifteen hundred public works projects, or over 50 percent of those approved by the Economic Development Administration (EDA) since 1965, have been delayed in getting under construction, causing economic development and job opportunities to be postponed or lost.

Findings/Conclusions: Between fiscal years 1966 and 1975, the EDA approved grants of $1.4 billion to construct 2,800 public works projects in areas of substantial and persistent unemployment. Although construction should start within 1 year after the project is approved, 54 percent of these projects exceeded 1 year, and 20 projects approved over 5 years ago are not yet under construction. Millions of dollars have remained obligated to some projects, while others have not been approved for lack of funds. Delays often occur because projects are approved on the basis of preliminary design. Creation of a two-step grant system would permit reuse of funds if projects experienced considerable delays during design.

Recommendations: Congress should amend the Public Works and Economic Development Act of 1965 to authorize two grants for public works projects, one for project design and one for project construction. This would provide financial assistance to communities for designing projects without committing funds for construction until the projects are ready to bid. Since the EDA 1-year appropriations will restrict implementation of a two-step grant system, Congress should make public works appropriations available for 2 fiscal years.

Agency Comments/Action

Bills were introduced in both the House and the Senate during the 96th Congress, 1st Session, to amend the Public Works and Economic Development Act as GAO recommended. The proposed legislation died in conference and has not been reintroduced in the 97th Congress, 1st Session.

Appropriations

Economic development assistance programs - Department of Commerce, Economic Development Administration

DEPARTMENT OF COMMERCE

ECONOMIC DEVELOPMENT ADMINISTRATION

Measuring Accomplishments Under the Business Development Assistance Program--More Accurate Verification Recommended

(CED-79-117, 9-6-79)

Budget Function: Community and Regional Development: Community Development (0451)
Legislative Authority: Public Works and Economic Development Act of 1965 (42 U.S.C. 3121). Civil Rights Act of 1964.

The Economic Development Administration (EDA) attempts through its Business Development Assistance Program to create permanent jobs in areas of high unemployment by helping businesses to expand or locate new facilities in these areas. This help includes direct loans and guarantees of loans with private lending institutions. EDA has a goal that at least one permanent job will result for each $10,000 of assistance. As of June 30, 1979, EDA had made 736 direct loans valued at about $672 million and had guaranteed 235 loans totaling about $387 million. GAO reviewed the following issues relating to the effectiveness of the Business Development Assistance Program: whether EDA compares and evalutes the number of jobs actually saved and created through the program with those projected; how EDA verifies the jobs saved and created; and how EDA assures that the jobs resulting from the program benefit the unemployed.

Findings/Conclusions: The business loan program was effective in saving and creating jobs for the 48 loans that were reviewed by GAO. These loans contributed to the saving and creating of over 9,400 jobs. The average cost per job was $6,700, which was below the target maximum of $10,000 established by EDA for individual projects. EDA had not adequately monitored jobs resulting from the program, however, and its information system contained numerous errors on employment benefits derived from the 48 loans. Some jobs reported as saved and created were based on original projections rather than actual results; jobs were still being credited for liquidated loans on bankrupt companies; and certain businesses receiving more than one loan had their employment counted twice.

Recommendations: The Assistant Secretary for Economic Development should develop and issue guidelines to be used by financial analysts in evaluating the reasonableness of job data submitted by loan applicants. These guidelines should be in addition to the criteria proposed for discounting applicant employment projections. The guidelines might include a provision requiring a comparison of the applicant's projected employment with actual employment of similar size companies in the same industry. The Assistant Secretary should also assign responsibility and develop procedures to monitor whether unemployed workers are benefiting from business loans. Consideration might be given to having businesses indicate on their loan applications or on their annual financial statements the total jobs filled by previously unemployed workers and the average duration of their unemployment. Businesses could provide this information by maintaining a simple log showing whether new employees were previously unemployed and the duration of their unemployment. Procedures should be established for periodically selecting a sample of projects to verify reported accomplishments. These procedures should specify which documents, such as payroll or tax records, to use in making this verification.

Agency Comments/Action

EDA issued guidelines for use by financial analysts in estimating jobs created and saved and is drafting new loan administration guidelines. EDA has promised to give specific consideration to the GAO recommendations.

Appropriations

Economic development assistance programs - Department of Commerce, Economic Development Administration

DEPARTMENT OF COMMERCE

ECONOMIC DEVELOPMENT ADMINISTRATION

More Can Be Done To Ensure That Industrial Parks Create New Jobs
(CED-81-7, 12-2-80)

Budget Function: Community and Regional Development: Area and Regional Development (0452)
Legislative Authority: Public Works and Economic Development Act of 1965 (42 U.S.C. 3121).

Industrial park projects funded by the Economic Development Administration (EDA) have helped distressed areas attract businesses, which in turn have saved or created jobs for area residents. GAO reviewed 101 park projects to assess the projects' effectiveness and to determine what management improvements are needed to maximize project accomplishments.

Findings/Conclusions: A number of park projects have problems. They have not attracted businesses, are not well utilized, and have not created as many jobs as anticipated when the projects were proposed. EDA must improve its assessments of the need for and location of proposed projects. EDA does not require feasibility studies; as a result, projects are being approved without adequate justification. EDA should also establish a management assistance program to help the park applicants attract business to their parks. Although a primary purpose of EDA-funded industrial park projects is to attract new businesses or business expansion, about 46 percent of the businesses reviewed were business relocations. Despite an EDA policy which prohibits businesses from relocating from outside of the immediate area of the park, such relocations are occurring. Many of the relocations did not provide additional jobs. EDA has not systematically gathered, monitored, or evaluated data on project accomplishments to judge their overall effectiveness. It will be several years until park project accomplishment data will be available. EDA has designed a system to monitor and evaluate all projects, including industrial parks. However, the criteria used may be too high and too easily attainable to be a realistic measure of project success, timeframes are too short for realizing employment projections, and the number of businesses required to submit employment reports is too limited to effectively measure employment data.

Recommendations: The Secretary of Commerce should direct the Assistant Secretary for Economic Development to administer EDA non-relocation policy to clearly prohibit businesses from other areas from relocating in EDA-funded parks. The Secretary of Commerce should direct the Assistant Secretary for Economic Development to disseminate previous studies on park projects to appropriate regional offices for their use when considering the funding of future projects. The Secretary of Commerce should direct the Assistant Secretary for Economic Development to monitor the effectiveness of the non-relocation policy through periodic field visits before final disbursement of funds and when determining the parks' successes. The Secretary of Commerce should direct the Assistant Secretary for Economic Development to issue instructions to EDA field staffs clearly stating how EDA will administer its non-relocation policy for industrial park projects and revise the EDA application form so that applicants are fully aware of how the policy is administered. The Secretary of Commerce should direct the Assistant Secretary for Economic Development to require regional offices to prepare periodic reports identifying vacant and underutilized parks and develop possible solutions to attract businesses to them. The reports should also assess the applicants' marketing and promotion plans and their progress in attracting businesses to the parks. The Secretary of Commerce should direct the Assistant Secretary for Economic Development to develop criteria to minimize relocations from within park areas and emphasize to EDA applicants that park projects are designed to provide new employment opportunities rather than to be used to relocate existing area businesses into more attractive sites. The Secretary of Commerce should direct the Assistant Secretary for Economic Development to identify and gather accomplishment data needed to properly monitor and evaluate park projects not covered by the Operational Planning and Control System. To preserve limited staff resources, EDA shold request that park applicants periodically submit this data to the appropriate regional offices. The Secretary of Commerce should direct the Assistant Secretary for Economic Development to establish a management assistance program to help applicants that have problems attracting businesses to their industrial parks. After this program is established, the Industrial Location Service should be used to determine the types of businesses that would be best suited to locate in the parks, and the recommendations made by the Office of Management and Administration on management assistance efforts should be adopted. The Secretary of Commerce should direct the Assistant Secretary for Economic Development to refine the Operational Planning and Control System. These refinements should include (1) reducing the cost per job criterion if actual results show the criterion is too high, (2) developing and using criteria on park utilization rates along with the cost per job criterion to measure park success, (3) revising the time frames for realizing employment projections from 7 years after the year of approval to 10 years after park completion, and (4) requiring that actual employment data be received from all businesses in the parks. The Secretary of Commerce should direct the Assistant Secretary for Economic Development to require applicants to perform feasibility studies on all proposed industrial park projects, which include an assessment of whether the project is needed and whether it is favorably located to attract businesses.

Agency Comments/Action

EDA generally agreed with the GAO findings and either agreed to implement the recommendations or suggested alternative solutions. Disagreement on the GAO recommendations stemmed primarily from the EDA philosophy that the Federal Government should not significantly intervene in the local development process and its view that it is faced with administrative and funding restrictions. EDA said that its response is contingent upon the agreement of the new administration. EDA has not initiated any corrective action.

Appropriations

Economic development assistance programs - Department of Commerce, Economic Development Administration

DEPARTMENT OF COMMERCE

NATIONAL BUREAU OF STANDARDS

National Bureau of Standards--Answers to Congressional Concerns (CED-80-49, 2-2-80)

Budget Function: General Science, Space, and Technology (0250)
Legislative Authority: 31 Stat. 1449.

The National Bureau of Standards (NBS), part of the Department of Commerce, supports the U.S. scientific and technical community by setting standards for the Nation's physical measurement system and carrying out a number of scientific and technical services for industry and government. Information was requested for use by the congressional committees responsible for reauthorizing NBS activities beyond fiscal year 1980. The report concerns: (1) problems faced by NBS because of implementation by the Office of Management and Budget (OMB) of its "lead agency" concept whereby an agency charged with a specific mission is the primary source of funds to support all activities contributing to that mission regardless of whether they are carried out by that agency or by others; (2) user satisfaction with NBS research efforts; (3) an evaluation of major reprogramming by NBS of its research efforts; and (4) information on which of the acts that assign responsibilities to NBS overlap, duplicate, or are in conflict with other acts.

Findings/Conclusions: The ability of NBS to perform its assigned function has been hampered by implementation of the lead agency policy. OMB has not recognized that measurement is a NBS lead agency responsibility; rather, OMB has taken the position that if measurement is directly related to another lead agency's mission, that agency should fund it. Inevitably, funds being considered by other agencies for allocation to NBS are more likely to be cut or directed to higher priorities within the lead agency. Respondents to a questionnaire sent to users of NBS services and interviewees from the NBS evaluation panels and the Statutory Visiting Committee gave high ratings to NBS services. The NBS reprogramming effort was too recent for GAO to evaluate in terms of its impact on NBS scientific work or on the users of the programs that were terminated. The terminated programs were worthwhile but of lower priority than the programs proposed to replace them. GAO found no inconsistency, conflict, or substantial duplication among the acts assigning responsibilities to NBS. Legislation enacted since the 1901 act which gave NBS broad authority to determine its scientific activities has focused attention on specific national problems and made major policy decisions in the areas of science and technology.

Recommendations: If the Congress decides to revise or amend the original legislation authorizing NBS to perform its functions, the language of the legislation should make clear the areas in which NBS is to have lead agency responsibility.

Appropriations

Operations and research - Department of Commerce, National Bureau of Standards

Appropriations Committee Issues

To enable NBS to perform its measurement functions effectively, the Committees need to ensure that funds appropriated to other Federal agencies for these functions are provided to NBS.

DEPARTMENT OF COMMERCE

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

Federal Weather Modification Efforts Need Congressional Attention (CED-80-5, 11-1-79)

Budget Function: Natural Resources and Environment: Water Resources (0301)

A coordinated approach to weather modification programs has never been established. Focusing on rainfall augmentation, GAO reviewed the general problems associated with current weather modification programs.

Findings/Conclusions: GAO found that there was no national weather modification policy. No central authority directed the programs. Coordination has been ineffective, and research was fragmented. The lack of integrated planning and coordination has inhibited progress toward a rainfall augmentation program. An earlier GAO report recommended development of a national program with goals, objectives, priorities, and milestones, and the designation of a central administrative agency. These recommendations were not carried out. The Weather Modification Advisory Board, agreeing with those recommendations, proposed: a congressional statement of national weather modification policy; and a clearly focused, integrated research and development program on learning more about how to modify the weather.

Recommendations: The Secretaries of Commerce and the Interior should establish an integrated, formal planning program to help ensure coordination of their respective rainfall augmentation projects. Congress should set forth a national weather modification research and development policy and direct that a program be developed with goals, objectives, priorities, and milestones. Also, it should designate one agency to administer, maintain, and control the program.

Agency Comments/Action

The Department of Commerce's National Oceanic and Atmospheric Administration (NOAA) agreed with the recommendation on the need for a consolidated national weather modification research and development policy and program to be administered by one agency. The Department of the Interior objected to the recommendation. NOAA disagreed with the recommendation that the Secretaries of Commerce and the Interior establish an integrated, formal planning program to help ensure coordination of their respective rainfall augmentation projects. The Bureau of Reclamation agreed with the recommendation. The Administration established a Weather Modification Subcommittee under the Committee on Atmosphere and Oceans of the Federal Coordinating Council on Science, Engineering, and Technology to assist in planning and coordinating weather modification activities.

Appropriations

Operations research - Department of Commerce, National Oceanic and Atmospheric Administration
Operations research - Department of the Interior, Bureau of Reclamation

Appropriations Committee Issues

The Appropriations Committees should monitor the progress of the recently established Subcommittee in planning and coordinating weather modification activities. GAO continues to believe that a national weather modification research and development policy is needed.

DEPARTMENT OF COMMERCE

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

Need To Assess Quality of U.S.-Produced Seafood for Domestic and Foreign Consumption (CED-81-20, 10-15-80)

Budget Function: Natural Resources and Environment: Other Natural Resources (0306)
Legislative Authority: H.R. 7039 (96th Cong.).

GAO is studying the adequacy of current Federal efforts to improve the quality and safety of seafood processed in the United States for domestic and foreign consumption. The study includes an assessment of the National Marine Fisheries Service (NMFS) program and efforts to improve the quality and safety of seafood harvested and processed in the United States.

Findings/Conclusions: A controversy exists over whether the quality of U.S.-produced seafood is competitive for foreign trade or adequate for domestic consumption. NMFS officials believe that the variable quality of U.S. seafood is contributing to the low volume of seafood sales in the United States. The U.S. trade deficit for all seafood products is approximately $2.8 billion. The United States is importing 60 percent of the edible seafood consumed domestically. East coast fish products have a reputation for poor quality in Western Europe. Senate hearings disclosed that surveys found the quality levels of seafood in the domestic market to be very low, with large quantities receiving substandard grades. The reasons products were substandard included: (1) the use of old or spoiled raw material; (2) poor processing techniques; (3) improper handling during transportation and storage; (4) excessive storage time; and (5) poor packaging. NMFS is trying to encourage the export of more U.S. seafood, but these efforts will likely go unrewarded if the U.S. seafood processor is unable to deliver a quality product to the foreign buyer. The NMFS inspection program is voluntary and is not used, at this time, by many in the seafood industry because they believe it provides few benefits and is too costly. GAO believes that there is a need for a comprehensive, objective assessment by NMFS of the quality of seafood produced by U.S. processors for domestic and foreign consumption. The positive benefits which might accrue to reduce the U.S. seafood trade deficit offset any budgetary considerations.

Recommendations: The Secretary of Commerce should direct the Administrator of NOAA to initiate a study to assess the quality of U.S. seafood produced for domestic and foreign consumption.

Agency Comments/Action

The Department of Commerce agreed that such a study was needed but said that it could not provide funds to conduct the study at this time.

Appropriations

Natural resources and environment - Department of Commerce, National Oceanic and Atmospheric Administration

Appropriations Committee Issues

GAO believes that if the United States can improve the quality of its seafood, it will be able to make gains in foreign markets. This would reduce the U.S. seafood trade deficit and offset budgetary considerations.

DEPARTMENT OF COMMERCE

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

Followup on the National Marine Fisheries Service's Efforts To Assess the Quality of U.S.-Produced Seafood (CED-81-125, 6-22-81)

Budget Function: Natural Resources and Environment: Other Natural Resources (0306)
Legislative Authority: Saltonstall-Kennedy Act (15 U.S.C. 713c-3).

In a prior report, GAO stated that a comprehensive assessment is needed of the quality of seafood produced by U.S. processors for domestic and foreign consumption. GAO pointed out several examples of foreign complaints about U.S. exports and noted that consumer and industry publications have been critical of the quality of U.S. seafood products. Since the earlier report was issued, GAO has collected additional information on the quality of U.S. seafood products that further demonstrates the importance of the recommended study.

Findings/Conclusions: Variable quality, as well as prices, marketing techniques, and other factors, inhibit the demand for U.S. seafood products in foreign markets. However, evidence is not readily available to demonstrate conclusively the specific extent and degree that variable quality impedes U.S. exports. Additionally, the National Marine Fisheries Service's voluntary inspection and certification program does not assure importers that U.S. products will meet or satisfy their quality requirements primarily because inspectors are not familiar with or trained in foreign quality standards. The quality of U.S. exports, as well as domestic products, can be improved by better onboard seafood handling techniques. Incentives, such as price differentials, to fisherman for higher quality products could help in achieving needed improvements.

Recommendations: The Secretary of Commerce should work cooperatively with the fishing industry, including fishermen, wholesalers, processors, and retailers, to establish the feasibility of a dockside grading program together with a system of price differentials for high quality products. The Secretary of Commerce should direct the Administrator of NOAA to establish a program to train inspectors with a particular emphasis on informing them of foreign seafood quality regulations and requirements. The Secretary of Commerce should direct the Administrator of NOAA to initiate a comprehensive study to assess the quality of U.S. seafood produced for domestic and foreign consumption. Because budget reductions and higher priority projects for Saltonstall-Kennedy funds have prevented the needed evaluation, the Secretary of Commerce should review other options to support the evaluation.

Agency Comments/Action

In response to the GAO recommendations, the Department of Commerce allotted funds to initiate the design and testing phase of a comprehensive study to assess the quality of U.S.-produced seafood; established a training program to make inspectors aware of the quality standards and requirements of foreign markets that import U.S. seafood products; and said that it would initiate a study, if funds become available, to assess the feasibility of establishing a dockside quality grading program for landed fish.

Appropriations

Natural resources and environment - Department of Commerce, National Oceanic and Atmospheric Administration
Other natural resources - Department of Commerce, National Oceanic and Atmospheric Administration

Appropriations Committee Issues

The Committees should inquire into the progress of the Department of Commerce's proposed studies to ensure that they are implemented and sufficiently comprehensive to produce meaningful results.

DEPARTMENT OF COMMERCE

OFFICE OF FEDERAL STATISTICAL POLICY AND STANDARDS

After Six Years, Legal Obstacles Continue To Restrict Government Use of the Standard Statistical Establishment List

(GGD-79-17, 5-25-79)

Budget Function: Commerce and Housing Credit: Other Advancement and Regulation of Commerce (0376)
Legislative Authority: Tax Reform Act of 1976. Privacy Act of 1974. Internal Revenue Code (IRC) 6103.

The Standard Statistical Establishment List maintained by the Bureau of the Census is a computerized file of information on 5.5 million U.S. corporations, partnerships, sole proprietorships, and other businesses which have employees.

Findings/Conclusions: The need for a centralized sampling list of businesses has been recognized since 1937. Three attempts to establish such a list have been made, and the third, in 1968, has been successful to the extent that the List is being used within the Census Bureau. By using the List for economic surveys, the Bureau has lowered costs and improved the quality of collected data. Although the List would greatly benefit the data collection by other agencies and increase the efficiency of Federal statistical information collection, Census Bureau and Income Tax confidentiality laws prevent its use by other agencies. Since 1972, efforts have been underway to draft and submit legislation to Congress to amend the Census law and permit other agencies access to the List. However, after 6 years, no proposals have been forwarded to Congress.

Recommendations: Congress should consider legislation to amend the Internal Revenue Code of 1954 to allow the Census Bureau to provide List information to Federal and State cooperative agencies for statistical purposes. The Secretary of Commerce should direct the Census Bureau and the Office of Federal Statistical Policy and Standards to improve plans for sharing the List by preparing cost estimates, holding technical meetings with future user agencies, exploring monitoring options to ensure List confidentiality, and collaborating with the Department of Agriculture to develop plans for the farm portion of the List. The Secretary also should direct the Office of Federal Statistical Policy and Standards to establish a priority date for submitting proposed changes to Congress and add a provision to this legislation requiring consent of a company or establishment if information is to be used in a manner other than specified in the legislative draft.

Agency Comments/Action

In its comments to congressional committees on actions taken on the GAO recommendations required by the Legislative Reorganization Act of 1970, Commerce reported that draft legislation to permit shared use of the List among statistical agencies has been prepared and is being reviewed by the Administration. Commerce noted that the legislative proposal does not contain a waiver provision as recommended by GAO. Commerce stated that it does not believe language should be added to the proposal that might make the use of waivers less controllable. Commerce said that the GAO recommendations to improve the plans for sharing the List are being addressed by the Bureau of the Census.

Appropriations

Salaries and expenses - Department of Commerce, Bureau of the Census

Appropriations Committee Issues

Because expanded use of the List would reduce costs and improve the comparability of Government surveys, reduce duplication in data collection efforts, and alleviate reporting burden on businesses, the Committees should follow up with Commerce on the status of efforts to obtain legislative authority to permit other agencies to have access to the List and to plan for List sharing.

DEPARTMENT OF COMMERCE

PATENT AND TRADEMARK OFFICE

The Need To Evaluate the Benefits and Costs of a Proposed Trademark Treaty and Implementing Legislation (CED-77-133, 10-7-77)

Budget Function: Commerce and Housing Credit: Other Advancement and Regulation of Commerce (0376)
Legislative Authority: Trademark Act of 1946 (15 U.S.C. 1051).

The Department of Commerce proposes to change the U.S. trademark law. The Department vigorously supports the proposed International Trademark Registration Treaty, to which the United States is a signator. If the Congress is to ratify the treaty, changes in U.S. trademark law are necessary. The proposed legislative changes will not only affect the registration of international trademarks but will greatly alter the process and methods for registering domestic trademarks in this country. The changes will affect all U.S. business firms registering trademarks.

Findings/Conclusions: An informed and objective decision on the treaty and proposed legislation cannot be made without complete and accurate estimates of the benefits and increased costs to all parties. The Department, however, did not obtain the data necessary to make such a decision. This data could be obtained from a representative sample of business firms registering domestic and foreign trademarks.

Recommendations: The Secretary of Commerce should require the Commissioner of Patents and Trademarks to undertake a survey designed to elicit needed information from a statistically valid sample of trademark owners and use this information to establish the realizable benefits and probable costs that U.S. business firms and the Government will experience from the proposed legislation.

Agency Comments/Action

The Department has completed an opinion type survey which indicated that 60 percent were favorable to the treaty. Information on realizable benefits and probable costs could not be obtained. The survey results will be included in the legislative package to be submitted to Congress.

Appropriations

Salaries and expenses - Department of Commerce, Patent and Trademark Office

Appropriations Committee Issues

In order for the Patent and Trademark Office to adequately cope with the increase in anticipated work, this Office may require additional resources.

DEPARTMENT OF EDUCATION

Financial Statements of the Student Loan Insurance Fund (HRD-78-165, 9-8-78)

Budget Function: Education, Manpower, and Social Services: Higher Education (0502)
Legislative Authority: Higher Education Act of 1965.

Since 1968, GAO has issued seven reports to Congress on the financial aspects of the Student Loan Insurance Fund. Many deficiencies in the Office of Education's accounting and computer systems were noted, including the following: (1) major accounts were unsupported by subsidiary records; (2) the allowance for loss rates for defaulted loans purchased, accrued interest, and claims-in-process was not based on actual program experience; and (3) the automated computer systems needed to provide accurate information for the Fund's financial statements were not functioning properly. A limited review of the Fund's financial transactions and operations for fiscal years 1976 and 1977 disclosed that these deficiencies remain uncorrected. No opinion was rendered since the poor condition of accounting records and lack of adequate internal control procedures would have necessitated additional time-consuming work.

Recommendations: The Department of Health, Education, and Welfare should develop a plan of action that will detail the steps needed to improve the Fund accounting controls and procedures and the computer system that provide data for the Fund and the management of the Guaranteed Student Loan Program.

Agency Comments/Action

In April 1979, a new contractor assumed technical responsibility for the Guaranteed Student Loan Program data processing and systems support. Agency officials stated that, due to the change in contractors, it was not possible to provide a specific timetable of proposed actions, although it was expected that system improvements to correct prior deficiencies would be initiated. The agency has installed a new computer system; however, the deficiencies noted in prior fiscal years remain uncorrected. The agency plans to upgrade the system.

Appropriations

Higher education - Department of Education, Bureau of Student Financial Assistance

DEPARTMENT OF EDUCATION

Better Reevaluations of Handicapped Persons in Sheltered Workshops Could Increase Their Opportunities for Competitive Employment

(HRD-80-34, 3-11-80)

Budget Function: Education, Training, Employment and Social Services: Training and Employment (0504)
Legislative Authority: Rehabilitation Act of 1973 (29 U.S.C. 701). Fair Labor Standards Act of 1938 (29 U.S.C. 214). S. Rept. 93-318. 41 Stat. 735.

The Rehabilitation Act of 1973 requires that the Rehabilitation Services Administration (RSA) reevaluate handicapped persons employed in sheltered workshops on an annual basis to determine their potential for competitive employment. A review was conducted to determine how effectively RSA managed these evaluations.

Findings/Conclusions: With better management oversight, RSA and some States could be more effective in providing maximum competitive employment opportunities for handicapped persons in sheltered workshops. As many as 11,400 handicapped persons were not reevaluated in 1977. Many of the reevaluations that were conducted were not comprehensive, and others were not performed annually as required by Department of Health, Education, and Welfare (HEW) regulations. In addition, it was found that there were no comprehensive guidelines for reevaluation. RSA did not clearly establish headquarters' responsibility for management oversight of reevaluations, assist States in developing a reevaluation process, provide States with instructions needed to implement evaluation in a timely manner, adequately monitor the number of persons receiving reevaluation who were subject to reevaluation under existing regulations, or follow up on States that were not reporting reevaluation. An analysis of national data on sheltered employment procedures and implementing instructions for reevaluations showed that in some States persons were excluded from reevaluation because of the timing of their placement in workshops or because of their job classifications as assigned by individual States.

Recommendations: The Secretary of HEW should direct the Commissioner of RSA to: (1) clarify headquarters responsibility for managing the reevaluation program and provide regional offices with the guidance needed to assist States; (2) revise guidelines to require that reevaluations be performed for all former vocational rehabilitation clients in sheltered employment; (3) revise guidelines to clearly establish that reevaluations should be continued so long as the handicapped persons remain in sheltered employment, and provide additional guidance to States regarding the conditions under which limited scope reevaluation may be warranted; (4) require the States to develop and report the number of persons requiring reevaluation; (5) review and test State reports to learn whether they are reliable, why some States are more successful in achieving movement to competitive employment, how reevaluation aided the movement, and why some States are not reporting reevaluations; (6) monitor State procedures and provide assistance to asure that annual reevaluations are made and that they are comprehensive and timely; and (7) identify States which did not reevaluate clients placed in sheltered employment before reevaluation procedures were implemented and require that any such persons still in sheltered employment be reevaluated.

Agency Comments/Action

The Department of Education concurred with all recommendations except the one concerning revising guidelines to require that reevaluations be performed for all former vocational rehabilitation clients in sheltered employment. The Department believes that the present guidelines provide needed flexibility regarding the duration of periodic reviews. In August 1980 and May 1981, the Department identified specific actions it is taking in response to the recommendations and outlined the progress made to date. Action on all recommendations is not scheduled for completion until February 1982.

Appropriations

Special education and rehabilitation services - Department of Education

DEPARTMENT OF EDUCATION

Use of Vacant Schools Could Provide Savings to Federal Construction Programs (HRD-81-28, 1-19-81)

Budget Function: Education, Training, Employment and Social Services: Elementary, Secondary, and Vocational Education (0501)

Use of public school facilities, which are closing due to declining enrollments, may be a source of savings for new construction projects financed by the Federal Government. At the start of the 1978-79 school year, there were nearly 2500 vacant schools in 19 States. Well over one-third of them were in good condition and located in areas that made them suitable for continued use. GAO interviewed officials of four Federal programs that provide grant-in-aid assistance for construction to obtain information on the potential that vacated schools hold for other purposes.

Findings/Conclusions: State and local authorities are not required to consider using vacant schools in lieu of new construction when requesting grant funds. However, projects that include converting vacant schools may be funded under their programs as long as the projects meet the various Federal requirements. Because there may be opportunities for substantial cost savings by using more vacant schools, GAO believes that an evaluation of the feasibility of using such schools should be required before construction funds are awarded to grantees. In addition, since the opportunity spans many Federal programs, there should be a Federal policy requiring Federal agencies with grant construction programs to consider using vacant schools in lieu of new construction.

Recommendations: The Director of the Office of Management and Budget (OMB) should require Federal agencies that provide grants for construction projects to make sure that adequate consideration is given to the use of vacant schools before funds for constructing new facilities are authorized.

Agency Comments/Action

OMB did not concur with the GAO recommendations. It cited the varying statutory requirements among the States and localities, local incentives for utilizing vacant schools, and the additional paperwork that the GAO recommendation would require as reasons for not implementing the GAO recommendation.

Appropriations

Elementary, secondary, and vocational education - Department of Education

DEPARTMENT OF EDUCATION

Unanswered Questions on Educating Handicapped Children in Local Public Schools (HRD-81-43, 2-5-81)

Budget Function: Education, Training, Employment and Social Services: Elementary, Secondary, and Vocational Education (0501)

Legislative Authority: Elementary and Secondary Education Act of 1965 (20 U.S.C. 236 et seq.). Education for All Handicapped Children Act of 1975 (P.L. 94-142; 20 U.S.C. 1401 et seq.). Education Amendments of 1974 (P.L. 93-380). General Education Provisions Act (20 U.S.C. 1232(g)). 45 C.F.R. 121a.124. 45 C.F.R. 121a.14. 45 C.F.R. 121a.342.

In passing the Education for All Handicapped Children Act of 1975, Congress set a goal that, by September 1, 1978, all of the Nation's handicapped children age 3 to 18 would have available a free appropriate public education which met their needs. This goal probably will not be achieved until at least the mid-1980's. A GAO review in 10 States disclosed major problems that need to be addressed.

Findings/Conclusions: A large difference between the 1974 estimate by the Department of Education of the number of handicapped children needing services and the number of children being counted and served by States has created controversy. Nearly one-third of the children counted as handicapped under the program were classified as speech impaired and were receiving only speech therapy. The law is unclear on whether children receiving only speech therapy or related services should be counted as handicapped for Federal funding proposes. Neither the Department's eligibility criteria for coverage of speech therapy nor the guidance for applying the criteria have been defined. The law requires an individualized education program for each handicapped child. Of the programs GAO reviewed, 84 percent lacked required information, lacked evidence of planning meeting participation, or were late in preparation. Individualized programs did not disclose needed services if they were not available. The most commonly cited reasons for the expected delay in providing education for the handicapped was a shortage of funds. Additional problems impeding the Act's implementation included: (1) insufficient staff at the State level; (2) delays by the Department in issuing regulations, providing guidance and instructions, and approving State plans; and (3) a lack of comprehensive Federal evaluations of the State's compliance.

Recommendations: Congress should consider the related question of the eligibility of children who need only small amounts of speech therapy. Congress should consider the conflict between (1) the statutory purpose and timetable for providing each handicapped child with a free appropriate public education and (2) the problems States and local education agencies are having, and will probably continue to have, in meeting those objectives. If considerable additional delays in reaching the goals are not acceptable, Congress should provide (1) incentives to stimulate increased State and local funding, or (2) increased Federal funding for the program. If Congress finds that existing goals and deadlines are too stringent, considering potential fund and staff availability, it should modify the Act's timetables or scope of coverage. Congress should clarify whether, and under what conditions, children who are receiving only speech therapy or services currently cited in the law as "related services" are eligible for coverage under the Public Law 94-142 program. The Secretary of Education should reconsider the validity of the 12-percent handicap prevalence estimate based on the evaluation results. The Secretary of Education should increase the distribution to all States of instructions, guidance, and models relating to individual education programs. The Secretary of Education should assist States and local education agencies to eliminate deficiencies in their programs and processes for identifying, evaluating, and serving handicapped children. The Secretary of Education should fully evaluate, either directly or through the States' program monitoring efforts, the effectiveness of local education agency programs and processes for accurately identifying, evaluating, and serving all handicapped children needing services under the Act. The Secretary of Education should revise the program regulations to state clearly that individualized education programs must include all special education and related services needed to provide a free appropriate public education. The Secretary of Education should require that Federal and State efforts to oversee the administration of Public Law 94-142 give special attention to enforcing individualized education program requirements. The Secretary of Education should require States to document in their State program plans, and demonstrate to the Secretary's satisfaction, that they are able to meet the commitments in their plans and carry out their responsibilities under Public Law 94-142. The Secretary of Education should evaluate States' compliance with the free appropriate public education requirement of Public Law 94-142, and use the evaluations to determine what additional actions, including withholding funds as provided for in the Act, need to be taken to assure that States are effectively implementing the Act. The Secretary of Education should emphasize the importance of (1) issuing regulations in a timely manner, (2) providing technical assistance, (3) reviewing State plans, and (4) making monitoring visits. The Secretary of Education should stop using, at least temporarily, the 12-percent handicap prevalence estimate as the basis for encouraging States to increase the number of children counted and served.

Agency Comments/Action

The Department of Education did not concur with the GAO recommendation that the Secretary require States to document in their State program plans and demonstrate to the Secretary's satisfaction that they are able to meet their planned commitments and carry out their responsibilities under the Education For All Handicapped Children Act of

1975. The Department of Education believes that the State plans are adequate and that the Department's monitoring activities are able to identify weaknesses in State administrative efforts. The Department concurred with all other GAO recommendations and has taken at least initial steps to implement courses of action.

Appropriations

Education for the handicapped - Department of Education

Greater Use of Exemplary Education Programs Could Improve Education for Disadvantaged Children (HRD-81-65, 9-15-81)

Budget Function: Education, Training, Employment and Social Services: Elementary, Secondary, and Vocational Education (0501)
Legislative Authority: Elementary and Secondary Education Act of 1965. General Education Provisions Act. P.L. 95-561. 20 U.S.C. 241a.

A review was made of the efforts by the Department of Education to promote the adoption of exemplary programs by local school districts to improve reading projects that are conducted under the Elementary and Secondary Education Act. Since the primary mechanism of the Department of Education for disseminating information on exemplary Elementary and Secondary Education Act projects and for helping local school districts to implement such projects is the National Diffusion Network, GAO specifically reviewed the Network's performance in accomplishing its mission.
Findings/Conclusions: In its review, GAO found that, although many of the Elementary and Secondary Education Act reading projects are improving the academic achievements of educationally disadvantaged students, some projects are not successful and should be improved. Presently, the services provided under the Elementary and Secondary Education Act are discontinued for most students while they are still far behind their peers in academic achievement. A comparison of the accomplishments of the Elementary and Secondary Education Act projects with the reported capabilities of the Network's exemplary projects indicated that many school districts could improve their services by adopting exemplary projects. However, GAO found that, without adequate Federal and State emphasis on project quality, relatively few local school districts have sought to improve their Elementary and Secondary Education Act projects by adopting exemplary projects since local officials are not convinced that exemplary projects are better than their own. A contributing factor to this attitude is that limited data were available on the capabilities and accomplishments of the Network's exemplary projects. In fact, the limited amount of data available about exemplary project results and the Network's poor reporting requirements hampered Network officials' assessment of the Network's impact on the Elementary and Secondary Education Act program.
Recommendations: The Secretary of Education should provide substantially increased guidance and technical assistance to State and local school officials in developing criteria for assessing the effectiveness of title I Elementary and Secondary Education Act projects. The Secretary of Education should expand Education's monitoring efforts for assessing whether State education agencies are (1) meeting their responsibilities to evaluate the effectiveness of local title I Elementary and Secondary Education Act projects, and (2) helping local school districts to improve their title I Elementary and Secondary Education Act projects. The Secretary of Education should direct State education agencies to (1) assess the validity of procedures used by local school districts to evaluate their title I Elementary and Secondary Education Act projects, (2) prescribe corrective measures where evaluation procedures are inadequate, and (3) help local school officials use evaluations for detecting and correcting project weaknesses. The Secretary of Education should advise State education agencies to encourage local school officials to use Network assistance in improving ineffective and inefficient title I Elementary and Secondary Education Act projects. The Secretary of Education should direct the Network to provide complete, comparable, and current information about the capabilities of the Network's exemplary projects, including: (1) their impact on scholastic achievement, student behavior, and sustained growth; (2) their costs; and (3) the results of past adoptions by other schools. The Secretary of Education should make sure that the Network's developer-demonstrators provide accurate data on the number of adoptions and the schools affected. The Secretary of Education should make sure that the Network's developer-demonstrators determine whether the projects have been installed correctly and are functioning properly. The Secretary of Education should make sure that the Network's developer-demonstrators provide for additional implementation assistance where needed.

Agency Comments/Action

The agency agreed with the GAO recommendations.

Appropriations

Elementary, secondary, and vocational education - Department of Education

DEPARTMENT OF EDUCATION

The Guaranteed Student Loan Information System Needs a Thorough Redesign To Account for the Expenditure of Billions

(HRD-81-139, 9-24-81)

Budget Function: Education, Training, Employment and Social Services: Higher Education (0502)
Legislative Authority: Higher Education Act of 1965.

The Department of Education's Guaranteed Student Loan Program guarantees loans to undergraduate and graduate college students by insuring Federal Government loans directly and by reinsuring loans issued by States. To keep track of and to control this multibillion dollar program, the Department maintains a computerized information system to process most program transactions. GAO reported on the Department's efforts and plans to correct known deficiencies in the system, whether the major system costs under the previous contractor were reasonable and proper, and how well the new contractor is performing.

Findings/Conclusions: The system continues to be deficient in four functional areas: (1) some loans to students who had exceeded loan limits were being reinsured; (2) the Department pays the lenders' interest and special allowance payments without validating them; (3) if the lender does not pay the first insurance premium bill, the system does not provide for rebilling the lender; and (4) the system has yet to accumulate and report the program's financial status in accordance with the needs of the Department's financial managers. GAO believes that the Department needs to determine the extent and degree of the controls and accountability it wants to provide for this multibillion-dollar program. GAO did not identify any improper charges to the earlier contract to operate the system. However, GAO believes that the contract costs incurred from fiscal years 1976 through 1979 were high. The new contract does not address the correction of system deficiencies. Although parts of the conversion from the old to the new contractor were delayed up to 5 months, the adverse effects on program recipients were kept to a minimum. However, problems encountered with the conversion will add further to contract costs, and certain critical items to be provided by the contractor had not been accepted by the Department as of August 1981. This problem needs to be resolved.

Recommendations: The Secretary of Education should direct the Office of Student Financial Assistance to subject the Guaranteed Student Loan information system to a total redesign effort. This redesign should include the documentation and validation of the appropriate system controls needed to assure accountability for the expenditure of program funds. The Secretary of Education should direct the Office of Student Financial Assistance to establish a process for system design, planning, and other key Guaranteed Student Loan information system life-cycle management functions. The Secretary of Education should direct the Assistant Secretary for Management to provide automated data processing (ADP) oversight of Guaranteed Student Loan system development efforts by the Office of Student Financial Assistance which ensures Office adherence to Department policies for ADP system life-cycle management and for the development of ADP systems under contract. The Secretary of Education should direct the Office of Student Financial Assistance to implement Department policies for developing automated data processing systems by competitively procuring a Guaranteed Student Loan information system at a fixed price and according to a prescribed plan once the recommended system redesign is completed. The Secretary of Education should direct the Office of Student Financial Assistance to develop comprehensive plans and timetables for completing and implementing a total Guaranteed Student Loan system redesign. The Secretary of Education should direct the Office of Student Financial Assistance to pursue a timely completion and acceptance of the contractor's conversion effort, including full system documentation, security and backup/recovery subsystems, a terminal user training program, and controls for maintaining and documenting changes to programming.

Appropriations

Postsecondary education - Department of Education, Office of Student Financial Assistance

Appropriations Committee Issues

In providing funds for development of the Guaranteed Student Loan computer system, the Committees should require the Department of Education to show that its efforts are in accordance with its own policies for system development and that these efforts will result in a system properly accounting for program expenditures.

DEPARTMENT OF EDUCATION

Stronger Actions Needed To Recover $730 Million in Defaulted National Direct Student Loans (HRD-81-124, 9-30-81)

Budget Function: Education, Training, Employment and Social Services: Elementary, Secondary, and Vocational Education (0501)

Legislative Authority: Higher Education Technical Amendments of 1979 (20 U.S.C. 1001 et seq.). Claims Collection Act (31 U.S.C. 951). Higher Education Act of 1965 (20 U.S.C. 1087 et seq.). Defense Education Act of 1958 (P.L. 85-864). Education Amendments of 1980 (P.L 96-374). 4 C.F.R. 101. P.L. 92-318.

The loans of the National Direct Student Loan Program are made from revolving funds maintained by participating schools which are responsible for making loans and collecting repayments. The Federal Government provides 90 percent of the moneys for the revolving funds, while the schools provide 10 percent. The program has been plagued by a high default rate. GAO reviewed the program to determine how well schools are carrying out their responsibilities for administering and collecting student loans and to identify Department of Education actions for collecting defaulted loans forwarded to it by participating schools.

Findings/Conclusions: GAO believes that stronger collection efforts are needed by participating schools. The Department's collection activities also have been inadequate; however, its performance has recently improved. The seven schools which GAO visited did not fully comply with the Department's loan collection procedures. Though they generally did an adequate billing job, improvements were needed in: counseling borrowers and maintaining contact with them, locating borrowers, referring accounts quickly to collection agencies, monitoring the status of accounts referred, determining collection agency success, and suing borrowers to collect defaulted loans. Schools have been permitted by law to submit defaulted loans to the Department since 1972. However, the Department took almost 6 years to develop procedures to enable schools to forward National Direct Student Loans to the Department for collection. This allowed schools with high default rates to continue receiving Federal funding under the loan program. The Department's efforts to collect loans have been hampered because schools failed to provide complete information, loan collection was not of high priority, and the computer system for the program will not be completed until the latter half of 1981. As a result of these problems, the Department plans to reduce the number of its collectors and to contract out collections on defaulted loans, raising agency concerns regarding the performance records of outside contractors.

Recommendations: The Secretary of Education should determine whether submissions of National Direct Student Loans to the Department of Education for collection earlier than the statutory 2-year time limit would be beneficial to collection efforts. The Secretary of Education should monitor the Department of Education's use of private collection agencies to insure that their use is the most cost-effective means of collecting defaulted student loans. If earlier submissions of National Direct Student Loans to the Department of Education for collection would be beneficial, the Secretary of Education should propose legislation to allow schools to submit defaulted loans as soon as possible after completion of required collection activities. The Secretary of Education should make sure that any reassessment should consider the collection program that was in place in one Department of Education region that was returning approximately $6 for every $1 spent. The Department of Education should reassess the economic feasibility of its plan to use private collection agencies to insure that their use is the most cost-effective means of collecting defaulted student loans. The Department of Education should reassess the economic feasibility of its plan to use private collection agencies to insure that their use is the most cost-effective means of collecting defaulted student loans. The Department of Education should monitor the performance of its collection contractors to insure that the collection of defaulted loans is being carried out in a manner that will return the most Federal dollars at the least cost to the Government. The Department of Education should monitor the performance of its collection contractors to insure that the collection of defaulted loans is being carried out in a manner that will return the most Federal dollars at the least cost to the Government.

Agency Comments/Action

The agency agreed with all recommendations which were included in both the draft report sent to the agency for comment and the final report. One recommendation was included only in the final report and was in response to agency comments to the draft. The recommendation dealt with the agency's monitoring of its collection contractors. No agency comments on the recommendation were obtained.

Appropriations

Higher education - Department of Education

DEPARTMENT OF EDUCATION

SPECIAL EDUCATION AND REHABILITATION SERVICE

A Single Federal Authority Is Needed for Establishing or Constructing Rehabilitation Facilities (HRD-79-84, 8-23-79)

Budget Function: Education, Training, Employment and Social Services: Training and Employment (0504).
Legislative Authority: Rehabilitation Act of 1973.

The vocational rehabilitation program administered by the Department of Health, Education, and Welfare is to prepare the handicapped for employment. Legislation authorizes different Federal funding rates for State construction and establishment of rehabilitation facilities for the handicapped. This report discusses problems with using rehabilitation program funds for such facilities.

Findings/Conclusions: Overlapping criteria have resulted in problems and inconsistencies with project funding. Although the Rehabilitation Services Administration, Department of Health, Education, and Welfare (HEW) has issued policy interpretations for issues raised by State agencies, officials are not always aware of all of them since they are not routinely distributed. GAO found that State agencies stretched or ignored guidelines to approve projects for establishment funding, thus enabling them to obtain increased Federal funding. State rehabilitation agencies reviewed had not developed effective administrative procedures for controlling funds. The lack of adequate fiscal controls by some State agencies often resulted in inaccurate expenditure reporting to HEW, and improper or questionable expenditures being made by the rehabilitation facilities.

Recommendations: The Secretary of HEW should direct the Commissioner of the Rehabilitation Services Administration (RSA) to: review the expenditures for establishment and construction and make every reasonable effort to recover from State rehabilitation agencies Federal funding which did not clearly comply with Federal regulations and program requirements; establish a systematic process to assure that all Federal policy interpretations are forwarded and maintained by each RSA regional office and State agency; require the RSA regional staff to provide guidance and leadership to State agencies so that States implement adequate procedures and controls; require State agencies to forward a copy of each approved project application in time for RSA comments before starting a project; and require the regional staff to monitor the adequacy of State agencies' procedures and controls, to assure the proper use of basic program funds. Pending consideration of the recommendation made by GAO to Congress that a single authority be developed, the Commissioner of RSA should revise the Federal regulations and program guidelines to: provide detailed instructions to State vocational rehabilitation agencies to help them implement the changes in the construction and establishment authorities made by the 1973 Act, as amended; and identify and clearly differentiate between the types of activities eligible for funding under each authority. Congress should amend the Rehabilitation Act of 1973 to create a single Federal authority for authorizing the States' use of basic program funds to: (1) construct new buildings; (2) acquire, expand, remodel, alter, or renovate buildings; and (3) pay for rehabilitation facility staff. The Congress should also maintain the provision in the 1973 Act that requires the Hill-Burton formula for determining the Federal share for construction activities. The term "Federal share" should be amended to make the Federal funding rate for staffing under Title I consistent with staffing rates under Title III of the 1973 Act. If Congress decides to maintain the separate funding authorities in the 1973 Act, GAO recommends that the Act's present restriction for construction (limiting Federal funding to 10 percent of the State's annual Federal funding for the vocational rehabilitation program) be revised to limit activities under both the construction and establishment authorities to 10 percent of a State's allotment.

Agency Comments/Action

The Department of Education concurred with all recommendations except the one requiring State agencies to forward a copy of each approved project application in time for RSA comments before starting a project. The Department believes that manpower limitations would not allow time for Federal comments before approval of all establishment applications. In June 1980 and March 1981, the Department identified specific actions it is taking in response to the recommendations and outlined the progress made to date. Action on all recommendations is not scheduled for completion until March 1982.

Appropriations

Rehabilitation facilities - Department of Education, Special Education and Rehabilitation Service

Cleaning up Commingled Uranium Mill Tailings: Is Federal Assistance Necessary? (EMD-79-29, 2-5-79)

Budget Function: Energy: Energy Information, Policy, and Regulation (0276)
Legislative Authority: Atomic Energy Act of 1946. Atomic Energy Act of 1954. Uranium Mill Tailings Radiation Control Act of 1978 (P.L. 95-604).

Until recently, commingled uranium mill tailings were believed to be of such low radiation that they were not considered harmful to the public. As a result, the tailings were often left in uncontrolled piles. Recent concern about the possible adverse effects of low-level radiation over long periods of time prompted the request that GAO determine whether Federal assistance should be provided to active mills to clean up the mill tailings.

Findings/Conclusions: Cleaning up all of the commingled tailings would have the advantages of reducing a possible health hazard and taking another step toward resolving some of the problems of safely disposing of radioactive wastes. Offsetting these advantages, however, are some strong disadvantages. The cleanup costs could go as high as $315 million using current technology. Further, the cleanup program could be considered as an additional precedent for cleaning up other nuclear facilities, which would be a far more costly endeavor. This is extremely important because the question of who should pay for cleaning up nuclear facilities has not yet been fully considered, primarily because very little decommissioning of these facilities has been done to date. In GAO's view, the most significant factor in favor of providing Federal assistance in cleaning up commingled tailings pertains to the Federal Government's role in creating the mill tailings situation.

Recommendations: In order to assure that the uranium mill tailings are controlled in a safe and environmentally sound manner, Congress should provide assistance to the active mill owners to share in the cost of cleaning up that portion of the commingled mill tailings that were generated under Federal contracts. These are the tailings for which the Federal Government has a strong moral resonsibility. Congress should also consider having the Federal Government assist those mill owners who acted in good faith in meeting all legal requirements pertaining to the stabilization of the mill tailings that were generated for commercial purposes and for which the Federal Government, through the Nuclear Regulatory Commission, is now requiring retroactive stabilization. At the same time, however, Congress should make clear that this establishes no precedent for the Federal Government assuming the financial responsibility of cleaning up other non-Federal nuclear facilities and wastes, including those mill tailings generated after the date when the Federal Government notified industry that the tailings should be controlled.

Appropriations

Operating expenses and capital acquisition - Department of Energy

Appropriations Committee Issues

Congress should provide assistance to active mill owners to share the cost of cleaning up mill tailings produced under Federal contract. Congress should consider having the Federal Government assist mill owners who meet legal mill tailings control requirements, particularly those with commercially-generated mill tailings for which the Federal Government is now requiring retroactive remedial action.

DEPARTMENT OF ENERGY

Lighting and Thermal Efficiency Standards
(EMD-79-32, 3-8-79)

Budget Function: Energy: Energy Conservation (0272)
Legislative Authority: Energy Policy and Conservation Act (P.L. 94-163). Energy Conservation and Production Act (P.L. 94-385). National Energy Conservation Policy Act (P.L. 95-619).

The progress made by the Department of Energy (DOE) in the development of mandatory lighting and thermal efficiency standards for Federal buildings was evaluated.

Findings/Conclusions: Technical problems are hampering the development of a lighting efficiency standard which would take into account nonuniform lighting levels for various building areas, lamp efficiency, lighting controls, and natural light. Such problems must be resolved to achieve lighting and thermal efficiency standards for new and existing Federal buildings. In addition, recent requirements for conserving energy in Federal buildings placed on DOE by the National Energy Conservation Policy Act may compound this situation.

Recommendations: DOE should move forward with an aggressive and effective 10-year plan to conserve energy in both existing and new Federal buildings. Requirements that are causing problems in carrying out an effective energy conservation program should be reported by DOE to appropriate congressional committees.

Agency Comments/Action

DOE has not fulfilled its intention to publish the final Federal 10-Year Buildings Plan in fiscal year 1981. The final plan when completed will contain mandatory lighting and thermal efficiency standards for Federal buildings.

Appropriations

Energy conservation - Department of Energy, Assistant Secretary for Conservation and Solar Energy

Appropriations Committee Issues

DOE has not yet developed a 10-year plan for energy conservation in Federal operations nor has DOE established mandatory lighting and thermal efficiency standards as required by law.

DEPARTMENT OF ENERGY

Need To Increase Department of Energy's Efforts To Encourage Small Business Contracting (EMD-79-83, 6-26-79)

Budget Function: Energy: Energy Information, Policy, and Regulation (0276)
Legislative Authority: Department of Energy Act of 1978 - Civilian Applications (42 U.S.C. 7256). Small Business Act (15 U.S.C. 644).

A review was conducted to determine the effectiveness of the Department of Energy's (DOE) efforts to encourage small business contracting in solar energy research and development.

Findings/Conclusions: A strong commitment to small business involvement is vital for DOE to foster greater small business participation in its procurement process. For fiscal year 1979, the overall goal for contract awards to small business was established at 15 percent of the total contract award dollars. Based on the percent of small business contract awards for fiscal year 1978, the small business procurement goal set for 1979 appeared to be low. Goals are developed by a consensus of all office managers. The prime consideration of program managers in awarding contracts is technical competence of the contractor. Some program managers did not know the definition of small business and were unaware of present contractors which met the criteria. Moreover, most program managers are not using the available information system which lists and profiles small business contractors by their areas of expertise, and might help locate potential small business contractors.

Recommendations: The Secretary of Energy should improve procedures for setting goals for small business contract awards; provide guidance through formalized procedures to those initiating procurement requests on identifying technically competent potential small business contractors and methods for increasing small business contract awards; and assign a small business technical advisor to the Small Business Administration representative as required by law. To insure adequate monitoring of small business participation in the procurement process and to identify the need for corrective actions, the Secretary should direct managers of program offices, field buying offices, and Department-owned, contractor-operated facilities to report statistics on small business contracts and subcontracts until the Integrated Procurement Management Information System is fully operational.

Appropriations

Operating expenses and capital acquisition - Department of Energy

Appropriations Committee Issues

The Department of Energy should take steps to strengthen the Office of Small and Disadvantaged Business Utilization by complying with the legal requirements to reorganize the office so that the director reports directly to the Secretary or to his deputy, and the small business specialists report to the director.

DEPARTMENT OF ENERGY

Cost To Retire Uranium Enrichment Facilities Should Be Included in Current Uranium Enrichment Charges (EMD-79-94, 9-6-79)

Budget Function: Energy: Energy Information, Policy, and Regulation (0276)
Legislative Authority: Atomic Energy Act of 1954 (42 U.S.C. 2001). Legislative Reorganization Act of 1970. P.L. 95-91.

GAO has maintained an interest in the Department of Energy (DOE) uranium enrichment pricing policies and procedures. DOE, the sole supplier of enriched uranium in the United States, has three enrichment plants in operation with a fourth scheduled to begin operation in the late 1980's. Eventually these plants will be retired. According to the former Energy Research and Development Administration, the costs to restore the plant areas to their original conditions were estimated to be up to 5 percent of the capital investments in the plants, or about $570 million. This would add about $1.50 per unit of enriching services to the current DOE price of about $89 per unit, and increase the average cost of electricity to consumers by 3 mills per kilowatt hour.

Findings/Conclusions: DOE has no firm estimates available concerning the future cost of decontaminating and decommissioning its uranium enrichment facilities, and has indicated that, given the current capital improvement program at existing facilities, it does not expect to evaluate these costs any time in the forseeable future. It is depreciating the three existing plants through the year 2000, implying that their useful life could end as of that year. GAO believes that the Secretary of Energy should take the necessary steps to see that commercial customers' share of the estimated cost of retiring these uranium enrichment facilities is recovered in the current DOE charge for uranium enrichment services by adding a reasonable charge to its current enrichment service prices.

Recommendations: The Secretary of Energy should prepare detailed estimates of the future cost of decommissioning and decontaminating the Nation's uranium enrichment facilities; modify the DOE criteria for enrichment services charges to include a charge for enrichment plant decommissioning and decontamination costs; and request any legislative authority needed to permit DOE to include future uranium enrichment plant decommissioning and decontamination costs in its present charges for uranium enrichment services.

Agency Comments/Action

The Department of Energy disagreed with the recommendations and has taken no action.

Appropriations

Operating expenses and capital acquisition - Department of Energy

Appropriations Committee Issues

The Committees should direct DOE to charge the current users of uranium enrichment services for the cost of decommissioning and decontaminating the facilities that are now providing the services.

DEPARTMENT OF ENERGY

Evaluation of the Department of Energy's Office of Inspector General (EMD-80-29, 11-28-79)

Budget Function: Financial Management and Information Systems (1100)
Legislative Authority: Department of Energy Organization Act (P.L. 95-91). Inspector General Act of 1978. Energy and Water Development Act (P.L. 96-69). OMB Circular A-73.

GAO was requested to review the process and procedures in the Department of Energy's (DOE) Inspector General Office with regard to that office's planning, audit coverage, audit followup, and staffing. The DOE Office of Inspector General, created by the Department of Energy Organization Act, is required to coordinate, supervise, and conduct investigations and audits of all DOE internal activities to ensure honesty and efficiency. These activities are coordinated, when necessary, with other Federal, State, and local agencies and nongovernment entities. The Office also recommends corrective actions and identifies and arranges for prosecution of participants in fraud and abuse cases. This Office has a Presidentially-appointed deputy.

Findings/Conclusions: It was found that the Office of Inspector General could be more effective in monitoring the DOE programs and operations. It does not have a systematic review of all DOE programs and operations. The weakness in audit planning was acknowledged and attributed to a need for more resources. Without such planning it is not possible to determine the total resources needed to audit all DOE programs effectively. Currently the 125 field auditors are not under direct control of the Inspector General, as GAO believes they should be. This would provide maximum independence in auditing activities and give the Inspector General greater flexibility in using staff resources. There is a need for more explicit policies outlining the Inspector General's responsibilities and detailing methods of operation to the staff. GAO believes a separate appropriation line item for this Office would highlight its resource needs and further assure its independence.

Recommendations: The Inspector General should develop a comprehensive plan for auditing the Department's programs and operations. He should provide formal guidance to his staff, including procedures for following up on timeliness and adequacy of Department actions in response to audit recommendations. The Secretary of DOE should reorganize the Department's field auditors under the Inspector General and provide any additional staffing resources which are necessary to enable him to carry out his responsibilities effectively. The Secretary should also review other offices in the Department with program evaluation functions and determine whether they should be under the Inspector General's control. Further, the Secretary should seek a separate appropriation line item for the Inspector General.

Agency Comments/Action

DOE basically agreed with the recommendations. The Department said the first two recommendations are being carried out and the third is under advisement. With regard to the recommendation for a separate appropriation line item for the Inspector General, the Department would not object but has not requested it.

Appropriations

Departmental administration general and special funds - Department of Energy

Appropriations Committee Issues

The Appropriations Committees should consider a separate appropriation line item for the Department of Energy's Inspector General to further assure the Inspector General's independence and add visibility to his resource needs.

DEPARTMENT OF ENERGY

The Federal Government Needs a Comprehensive Program To Curb Its Energy Use (EMD-80-11, 12-12-79)

Budget Function: Energy (0270)
Legislative Authority: Energy Policy and Conservation Act (P.L. 94-163). National Energy Conservation Policy Act (P.L. 95-619). P.L. 93-409. P.L. 94-385.

In the face of the Nation's growing dependency on foreign oil imports and the undesirable economic consequences, and despite legislative and executive directives, a comprehensive energy conservation program has not yet been developed. The Federal Government has not made a sufficient commitment to curb Federal energy consumption and needs a new perspective for reducing its energy use. In assessing the current status of the Federal energy conservation program, Federal energy conservation efforts were discussed with Federal agencies, field locations were visited, and reports and studies were reviewed and analyzed.

Findings/Conclusions: It was found that the Department of Energy (DOE) has not developed energy conservation plans for buildings, as required by legislation and Executive Orders. It has not issued guidance for Federal agencies to use in developing overall energy conservation plans. Because it does not have sufficient resources and organizational status, the DOE Federal Energy Management Program is not capable of managing a comprehensive program. Most energy use reductions have resulted from quick-fix changes that occurred between 1973 and 1974. According to Federal energy consumption data, the Government's energy use has increased in 2 of the last 3 years. Federal consumption of gasoline has increased 18 percent since 1974, while the use of coal, which is plentiful, has decreased 27 percent. DOE has taken the position that no comprehensive program is needed, and it does not intend to take any action to establish such a program.

Recommendations: The President should not wait for congressional actions and should issue a new Executive Order which incorporates a Federal energy management policy statement and provides for an aggressive and comprehensive program. The Order should as a minimum: define the priority agencies are to place on energy conservation and assign the Department of Energy responsibility for the Federal Energy Management Program; specify clearly and precisely agency roles, authority, and responsibilities; provide for aggressive action to implement legislative and Executive order requirements; require Office of Federal Procurement Policy to develop more specific procurement strategies, guidelines, and procedures for considering energy use in Federal purchases and coordinate this effort with the Department of Energy; and require annual progress reports from the Secretary of Energy. The Secretary of Energy should assist the President in this effort by taking the following actions: establish within the Department of Energy a high-ranking Federal Energy Management Program office reporting directly to the Under Secretary; assign to this office broad responsibility for all aspects of Federal sector energy conservation plans and programs currently assigned to the Department; provide adequate funding and personnel resources to the office; direct appropriate Department of Energy officials to implement expeditiously adequate energy conservation plans and guidelines as intended under energy legislation and Executive orders; and direct this office to develop an approved management plan for carrying out responsibilities. The Congress should enact legislation which expresses the priority and emphasis that should be placed on the issue of energy use and management in the Federal sector and consolidate existing laws. The legislation should require: the President to develop and implement through DOE an aggressive and comprehensive Federal Energy Management Program (FEMP) and clearly define the roles, authority, and responsibilities that DOE and other Executive branch agencies are to fulfill in the program; require under the purview of FEMP the development and implementation of specific plans and programs; require the President to complete action on the above items within 18 months after legislation is enacted and report to the Congress; and provide to DOE central funding and control over energy conservation funds and restrict such funds to energy conservation use.

Agency Comments/Action

According to DOE, the Department recognized that its role of monitoring Federal efforts to curb energy use had been insufficient. Additional guidelines, mandates, and standards are necessary. However, DOE has not supported establishing a high-ranking office solely responsible for FEMP, and has decreased the program's management staff in fiscal year 1982. Although the Department also agreed with the recommendations to expeditiously implement energy conservation plans and guidelines, the plans still need to be completed.

Appropriations

Department of the Interior and related agencies

Appropriations Committee Issues

DOE should aggressively pursue the development of more definitive mandates to reduce energy use throughout the Federal Government. Aggressive leadership roles are needed in the transportation and building sectors since the Government owns approximately 650,000 vehicles and 400,000 buildings. The Department of Energy, with its legislative and executive mandates, should be the focal point for Federal energy conservation initiatives.

DEPARTMENT OF ENERGY

Effects in Washington, D.C., Area of 1979 Gasoline Shortage: Supplies Less Than National Average; Price Increases Comparable

(EMD-80-70, 6-24-80)

Budget Function: Energy: Energy Information, Policy, and Regulation (0276)
Legislative Authority: Emergency Petroleum Allocation Act of 1973.

During the 1979 gasoline shortage, Washington, D.C., metropolitan area motorists had to sit in lines at service stations and were forced to change their driving habits. Other locations across the Nation, however, had less severe gasoline supply problems. Consequently, a review was requested to determine the causes of the 1979 gasoline shortage in Washington, D.C., the levels in the marketing system where price increases occurred, and the effectiveness of the Department of Energy's (DOE) response to the situation.

Findings/Conclusions: In its review, GAO found that during the first 7 months of 1979, the Washington, D.C., area received proportionately less gasoline than the Nation as a whole. The principal reason for this difference was that the Washington, D.C., area suppliers had less gasoline available for delivery than the national average for all suppliers. Additionally, GAO found that the Washington, D.C., area suburbs did not always receive a proportionate amount of State set-aside supplies. DOE and the oil companies have the authority to transfer specific amounts of gasoline from one area to another to correct regional supply imbalances. However, neither of these entities exercised this authority to address the Washington, D.C., area shortage. Nor has DOE developed overall criteria and guidelines to determine when an area has a supply imbalance which requires the expeditious use of DOE authority. Further, GAO found that the principal cause of increased retail gasoline prices in the Washington, D.C., area during March through July 1979 was an increase in refiners' prices. Most of this increase can be attributed to the companies' cost of crude oil, which went up an average of 12.6 cents a gallon during this period. Despite these increases, average prices of gasoline in the Washington, D.C., area during July 1979 were less than the national average price. Also, it appears that some of the costs which were allowed to be passed through by the DOE gasoline tilt rule were put in the refiners' cost banks. This raises questions as to whether the objectives of the tilt rule were met.

Recommendations: The Secretary of Energy should: establish appropriate criteria and guidelines so that DOE can expeditiously use its discretionary authority to direct companies to shift supplies to areas where supply imbalances occur in future shortage situations; work with State and local government agencies to identify areas experiencing supply imbalances; determine exactly how the gasoline tilt rule has been working, with specific emphasis on the rule's stated objectives; determine whether the tilt rule has caused the significant increase in gasoline cost banks; and determine whether revisions to the tilt rule are needed.

Agency Comments/Action

By letter dated September 12, 1980, DOE commented on the GAO report. Although DOE said it is working to improve the quality of its data bases for determining where supply imbalances occur, it did not state whether or not it is implementing the recommendation concerning the establishment of appropriate criteria and guidelines to be used to redirect gasoline supplies to cover supply imbalances. Also, DOE declined to implement the recommendation concerning whether the gasoline tilt rule has been working as planned. DOE said that such a study could probably not be completed before the termination of the Emergency Petroleum Allocation Act on September 30, 1981.

Appropriations

Energy operating expenses and capital acquisitions - Department of Energy

Appropriations Committee Issues

With the decontrol of gasoline prices, the GAO recommendations pertaining to the DOE gasoline rule are no longer applicable. However, the GAO recommendations about the DOE responsibilities during supply imbalances are still germane. The Committees should monitor the DOE implementation of these latter recommendations.

DEPARTMENT OF ENERGY

Delays and Uncertain Energy Savings in Program To Promote State Energy Conservation (EMD-80-97, 9-2-80)

Budget Function: Energy: Energy Conservation (0272)

Legislative Authority: Energy Conservation and Production Act (P.L. 94-385; 42 U.S.C. 6892). Energy Policy and Conservation Act. Department of Energy Organization Act (42 U.S.C. 7154). National Energy Conservation Policy Act (P.L. 95-619). Energy Security Act (P.L. 96-294).

The Energy Conservation and Production Act of 1976 authorized four programs to encourage and facilitate the implementation of energy conservation and renewable-resource measures in residences, nonresidential buildings, and industrial plants. The Act specifically requires GAO to review the four program aspects; program effectiveness, energy savings, an accounting by State of the State Energy Conservation Program (SECP), and compliance monitoring, and to report its findings to Congress annually for fiscal years 1977, 1978, and 1979. In the second annual report covering activities through 1978, SECP implementation in four Department of Energy (DOE) regional offices and eight States were reviewed.

Findings/Conclusions: The goal of SECP is to reduce the energy consumption of each State by about 5 percent by 1980. However, the program has been hampered by long delays in enacting required State legislation, slippages in milestone dates, and reductions in scope in many State program measures. Although reported energy savings for 1978 were 13 percent of the goal, GAO did not believe that the goal would be attained by 1980. It believed that the reported savings were overstated and not a valid measure of the actual savings. Deficiencies were identified in the financial and program reporting systems used in SECP which must be corrected before the States and DOE can effectively monitor and manage the program. To adequately administer, control, and measure the success of SECP, DOE needs to monitor and compare program results with program expenditures. However, States were not asked to submit financial data in a format which would allow for comparing program results with expenditures. Progress was difficult to assess because the content and format used by the States in their progress reports varied. Monitoring activities in the regional offices visited were hindered by insufficient staff.

Recommendations: The Secretary of DOE should: reassess the compliance determinations for those States considered to be in compliance with the mandatory SECP requirements, especially mandatory thermal and lighting standards. In cooperation with the States, the Secretary should reevaluate both mandatory and optional program measures in order to (1) determine if changes and improvements are needed in their scope to make them attainable, (2) establish program measure goals and milestones that are realistic and attainable, and (3) revise State plans and goals accordingly. The Secretary should provide specific guidance and technical assistance needed by the States to estimate and measure both projected future and actual savings as a result of the program. Based on the reevaluation of the scope and progress of State plans and program measures recommended above, the Secretary should work with the States to revise their energy savings goals. Further, the Secretary should assure that the States implement the DOE monitoring system, when approved by the Office of Management and Budget, to provide DOE with the following assurances: financial systems at the State level are sufficient to provide accurate cost information by program measure; and progress reporting by the States is in sufficient detail to provide accurate, consistent, and complete information on the status of each program measure. Finally, the Secretary should review with the States the Federal requirements concerning the use of Federal funds, focusing on letter-of-credit procedures.

Agency Comments/Action

DOE agreed with the recommendations and cited actions taken or planned for implementation. However, GAO followup indicates that some of these actions have not been completed or were not sufficient. For example, followup of 1980 program energy savings indicates that reported energy savings continue to be significantly overstated.

Appropriations

Department of Energy and related agencies

Appropriations Committee Issues

Before the program can reach its true potential, DOE must make a number of improvements in its management.

DEPARTMENT OF ENERGY

U.S. Fast Breeder Reactor Program Needs Direction (EMD-80-81, 9-22-80)

Budget Function: Energy: Energy Supply (0271)

The Administration and Congress have not been able to agree on the future role of fast nuclear breeder reactors. They cannot decide whether to rely on nuclear power as a long- or short-term energy supply source. If a long-term future for nuclear power is desired, or even if a nuclear option is to be maintained, construction and operation of a fast breeder demonstration plant is needed. The date for the commercialization of the liquid metal fast breeder reactor (LMFBR) has been postponed from 1986 to about 2020. The reasons given for the delay included concern that plutonium-based nuclear fuels may lead to international nuclear weapons proliferation, projections supporting a diminished need for commercial breeder reactors, projections that LMFBR's would not become economically competitive for several decades, questions about the safety of LMFBR's, and the belief that the Clinch River Breeder Reactor was too small, too costly, and technically obsolete. In fiscal year 1981, the Department of Energy (DOE) is planning to terminate its participation in the gas-cooled fast breeder reactor program while continuing to fund the light water breeder reactor program. But the light water breeder reactor program cannot be viewed as an alternative or backup to LMFBR's because its objective and purpose are different. DOE withdrawal from participation in the technology development program will probably cause the collapse of the industrial infrastructure that has grown in support of the program, and consequently, the only nuclear alternative to the LMFBR program will be lost.

Findings/Conclusions: GAO believes that the current strategy of postponing the commercialization date of the LMFBR program will not necessarily enable this country to achieve its nonproliferation goals. The projections of the availability of uranium are uncertain. Unanticipated events could increase the future demand for nuclear energy and the need for an early commercialization of breeder reactors. The ultimate economics of the LMFBR program are difficult to accurately project. The LMFBR is no more or less safe than the current generation of light water reactors. The LMFBR program lacks a clear mission. The disagreement between Congress and the Administration has made planning and directing the program difficult for DOE. Recent actions by the Administration underscore its desire to kill the Clinch River project and to defer any commitment for a substitute plant. A strong LMFBR program includes constructing and operating a plant, something which has not been done. A backup technology should be available for development in case the LMFBR program fails to meet its objectives.

Recommendations: If Congress wishes to maintain a nuclear option or if it wishes to commit to nuclear power as a long-term energy source, it should require DOE to demonstrate the viability of the LMFBR technology by mandating the construction of a breeder reactor facility. GAO is not necessarily advocating the completion of the Clinch River project as the only means of moving the program forward. The only resolution may be to move ahead with a larger, more recently designed facility instead of the Clinch River Project. Congress may wish to make it clear that it is not adopting a policy that would encourage premature commercial breeder deployment in this country. A commitment to a long-term nuclear option should include continued support for the gas-cooled fast breeder reactor program. Congress should continue to fund the program at least until the program reaches a decision point on whether to construct and operate a demonstration facility. If Congress cannot reach a resolution on whether to preserve the breeder option, or if it does not wish to do so, it should consider terminating the breeder program.

Agency Comments/Action

DOE provided written comments on the report and essentially agreed with the finding that a central organizing principle and schedule were desirable for effective management of the breeder reactor program. Moreover, DOE recognized that there was no national policy guidance on whether or when breeder reactors will need to be commercially deployed. On the other hand, DOE stated that it had developed a rational approach for the development of the technology in spite of these impediments. Nonetheless, GAO disagreed with this assertion by DOE because the rational approaches they referred to were neither up-to-date nor officially authorized by the Executive Branch.

Appropriations

Energy research and development - Department of Energy, Division of Reactor Research and Technology

Appropriations Committee Issues

Both the House and Senate Appropriations Committees have acted in line with the recommendations in the GAO report. So far, however, only the House has approved its FY 1982 appropriations bill for DOE; the full Senate has not approved it as of October 30, 1981.

DEPARTMENT OF ENERGY

Unauthorized Commitments: An Abuse of Contracting Authority in the Department of Energy (EMD-81-12, 12-4-80)

Budget Function: Energy: Energy Supply (0271)
Legislative Authority: Property and Administrative Services Act. Antideficiency Act (31 U.S.C. 665).

In fiscal year 1979, the Department of Energy's (DOE) reported obligations made it the largest civil procuring agency in the Federal Government. The Federal Procurement Regulations, which govern most civilian agency purchases, give exclusive authority for establishing contracts to authorized contracting officers. However, DOE program personnel, who do not have contracting authority, have asked contractors to perform work. This circumvents established procurement regulations and eliminates the opportunity for competition. DOE has established special ratification procedures for entering into contracts after unauthorized commitments have been made. These procedures require a detailed account of why the commitment was made, reviews by the contracting officer and General Counsel, and approval by the head of the procuring activity. However, some offices have predated contracts or issued retroactive precontract authorizations instead of following DOE ratification procedures for unauthorized commitments.

Findings/Conclusions: Circumventing the normal procurement cycle will likely continue until DOE successfully eliminates the causes of unauthorized commitments. There are three major reasons for unauthorized commitments: (1) DOE program officials often fail to plan procurement needs far enough in advance to utilize normal contracting procedures; (2) program officials encounter emergency program requirements and do not believe that enough time is available to go through normal procurement procedures; and (3) program officials fail to expeditiously review, approve, and transmit procurement requests to the procurement office. Regardless of the cause, the Antideficiency Act is violated when DOE program officials make unauthorized commitments and accept voluntary goods or services from a contractor before funds have been appropriated by Congress. In addition, DOE Procurement Regulations do not contain the same restrictions as the Federal Procurement Regulations on ratifying improper commitments which would not be allowed by the Federal Procurement Regulations. While there may be instances where it is necessary to allow a contractor to begin work before a contract is established, unauthorized commitments are never an appropriate means of obtaining goods or services. DOE needs to establish a formal method of monitoring unauthorized commitments. Until it can accurately estimate how widespread the use of unauthorized commitments is, it will be difficult to attempt to eliminate them.

Recommendations: The Secretary of Energy should take action to eliminate violations of the Anti-Deficiency Act. The Secretary of Energy should take action to develop procedures for identifying unauthorized commitments within the Department. The Secretary of Energy should take action to clearly define in the DOE regulations the circumstances under which a formal ratification can be made. The Secretary of Energy should take action to require all program offices in DOE to effectively plan procurement actions one year in advance and enter them into the existing DOE planning system. The Secretary of Energy should take action to amend DOE procurement regulations governing ratifications to make them consistent with the Federal Procurement Regulations. The Secretary of Energy should take action to develop a program to educate all agency personnel who are responsible for initiating procurement requests in the proper procedures for emergency procurement situations. The Secretary of Energy should take action to develop a procurement request tracking system within each DOE program group to ensure that requests are reviewed and approved in a timely manner.

Agency Comments/Action

DOE revised a procurement notice (DOE N4220.1A-- "Ratification of Unauthorized Contract Awards") and issued a new Acquisition Letter (DOE PL 9-3; AL 81-7) to act upon the GAO recommendations. These documents now define for DOE the circumstances under which a formal ratification can be made, and rescind all previous authority to predate contracts and retroactively authorize precontract costs. DOE also agreed to amend its procurement regulations to make them consistent with Federal procurement regulations in the area of ratifications.

Appropriations

Procurement - Department of Energy

DEPARTMENT OF ENERGY

Management Problems Impede Success of DOE's Solar Energy Projects (EMD-81-10, 12-22-80)

Budget Function: Energy: Energy Supply (0271)

GAO reviewed the Department of Energy's (DOE) management of its solar energy research and development (R&D) projects.

Findings/Conclusions: GAO found that: (1) DOE has taken important steps, such as instituting decentralized management, establishing a formalized management system, and initiating an automated contractor reporting system, to improve its R&D project management; (2) solar energy projects are continuing to experience cost increases, schedule slippages, and scope reductions despite the steps; and (3) more complete implementation of the DOE management initiatives, as well as strengthened controls over solar energy R&D project selections and administration, are needed to improve project success. GAO also found that effective project administration has been hampered by weak DOE contractor monitoring and delays caused by the DOE approach to project funding.

Recommendations: The Secretary of Energy should direct the solar program office to expeditiously develop, finalize, and implement multiyear program plans for the overall solar program and each solar technology. These plans should be linked in chain fashion toward achieving the President's overall goal of meeting 20 percent of the Nation's energy needs from solar resources by the year 2000. The plans for each technology should include specific and measurable goals and definitive strategies for achieving those goals. The goals and strategies developed should be clear enough to enable DOE to rationally assess a proposed project's contribution to the plan as part of its project selection deliberations. The Secretary of Energy should direct the solar program office to take efforts to more strictly comply with DOE unsolicited proposal regulations during the selection and approval of solar projects. The Secretary of Energy should direct the solar program office to reemphasize to field office project managers the need for effective project monitoring and its importance in helping solar projects contribute effectively to the program. The Secretary of Energy should direct the solar program office to justify prospective projects in terms of their specific potential contribution to achieving the goals set forth. Ongoing projects should be evaluated to ensure that each is making a contribution toward achieving the plans' goals and that optimum use of available funds is being achieved. The Secretary of Energy should direct the solar program office to ensure that decentralized project management is carried out in the most complete and effective manner. Special attention should be given to ensuring field offices are given authority commensurate with their project management responsibilities and that sufficient expertise and resouces are present at those field offices designated for assuming project management. The Secretary of Energy should direct the solar program office to study the current status as well as potential effectiveness of the automated Uniform Contractor Reporting System's application in the solar program. If it is determined that the system can be effective as a project monitoring tool, the solar program office should be directed to expand and improve the timeliness and accuracy of its automated data base and incorporate the capability for aggregating data inputs for more complete reporting of project status. The Secretary of Energy should direct the solar program office to strive for more timely and complete implementation of the DOE project management system for those projects formally subject to its provisions, and explore opportunities for expanding the application of the system to solar projects on which formal application has not already been made. The Secretary of Energy should direct the solar program office to consider expanding the use of long-term, multiyear funding commitments for solar projects, providing for periodic reexaminations to verify each project's merits. Within this context, the Shenandoah project should be specifically reexamined to determine whether the reductions that have been made in the project's scope need to be restored for the project to merit continued funding. If the scope reductions are sustained, project termination might be the most prudent course of action.

Agency Comments/Action

DOE agreed with the thrust of most of the GAO recommendations. However, concerning the recommendation that DOE explore opportunities to expand application of its project management system to more projects, DOE believed such application would not be warranted. It also disagreed with the recommendation that DOE consider expanding the use of long-term, multiyear funding commitments for solar projects. In this connection DOE contended that, because funding is appropriated on an annual basis, it is not always possible to adhere to multiyear funding plans for individual projects.

Appropriations

Operating expenses, energy supply, research and development activities - Department of Energy, Assistant Secretary for Conservation and Renewable Energy

Appropriations Committee Issues

In reviewing appropriations for solar research and development, the Committees should consider that DOE does not believe expanded application of its project management system and greater use of multiyear project funding is necessary to improve project management.

DEPARTMENT OF ENERGY

Improved Data and Procedures Needed for Development and Implementation of Building Energy Performance Standards

(EMD-81-2, 12-23-80)

Budget Function: Energy: Energy Conservation (0272)
Legislative Authority: Energy Conservation Standards for New Buildings Act of 1976 (P.L. 94-385). Department of Energy Organization Act (42 U.S.C. 7154). Housing and Community Development Act of 1980 (P.L. 96-399).

The New Buildings Act of 1976 requires the development of building energy performance standards to set limits on the total amount of energy buildings may be designed to use. The Department of Housing and Urban Development (HUD) originally had the responsibility for this program; however, the responsibility to develop and promulgate the standards was transferred to the Department of Energy (DOE), leaving the implementation responsibility with HUD. An examination was made of: (1) what still needs to be done before sound standards can be issued; (2) the need to transfer implementation responsibility for the standards from HUD to DOE, and (3) the inappropriateness of the proposed sanction for noncompliance in view of the large decrease in expected energy savings.

Findings/Conclusions: The development of the standards has not been smooth, and problems have surfaced with respect to completeness and ease of implementation. The original legislative deadline for final issuance of standards has not been met. Areas which require more work before a sound energy conservation standard is possible include: (1) basing the methodology used to develop the commercial and multifamily building standards on minimum life-cycle costs; (2) expanding the data base used for the single-family standards to include more cities; (3) basing weighted factors used to account for energy consumed in the refining of fuel and generation of power on local data, not on national averages; (4) developing standards for mobile homes, restaurants, and industrial buildings; (5) developing means for designers, builders, and local code officials to determine if a building complies with the standards; and (6) considering recent improvements in building design practices when updating the estimate of expected energy savings from the standards. Recent legislation has modified the timetable for the standards, providing DOE with more time to resolve these problems. The implementation responsibility for the program should be transferred to DOE so that the total responsibility for the program will rest with one agency. GAO believes that DOE should consider whether a voluntary program would be a suitable alternative to the sanctions for noncompliance with the standards which the Act contains and which, if imposed, would in effect make them mandatory.

Recommendations: Congress should transfer implementation and enforcement responsibility from HUD to DOE. The Secretary of Energy should base estimates of energy savings on current construction practices, and also consider the expected amount of non-compliance with the standards in computing the savings. The Secretary of Energy should continue to work on improving the soundness of the standards for the commercial sector so that the basis of the standards is minimum life-cycle cost to the building owner, as is true for the residential sector. The Secretary of Energy should develop procedures and cost estimates for implementing a voluntary Building Energy Performance Standard and also estimate energy savings that could be expected from such a voluntary program. This effort could assist Congress in making its decision on sanctions.

Agency Comments/Action

The Department has taken the position that Federal Building Energy Performance Standards are not needed. The Administration requested no funds for this effort in fiscal year 1982.

Appropriations

Energy conservation - Department of Energy, Assistant Secretary for Conservation and Renewable Energy

Appropriations Committee Issues

GAO believes that there is a need for the Department to complete the development process for building energy performance standards and to determine how effective a voluntary standards program would be in achieving energy savings in new buildings.

DEPARTMENT OF ENERGY

Residential Energy Conservation Outreach Activities--A New Federal Approach Needed (EMD-81-8, 2-11-81)

Budget Function: Energy: Energy Conservation (0272)
Legislative Authority: Energy Policy and Conservation Act (P.L. 94-163). Energy Conservation and Production Act (P.L. 94-385). Department of Energy Organization Act.

GAO evaluated the residential energy conservation outreach activities of the Department of Energy (DOE) by examining the contribution that outreach can make in achieving energy conservation, the effectiveness of alternative outreach techniques, and the current program direction and management of DOE.

Findings/Conclusions: Consumers need to be aware of their energy conservation opportunities before they can act. If consumers do not have comprehensive information and are not effectively provided such information, the extent to which they can or will realize available energy conservation opportunities will be limited. Combining individualized information with personalized delivery of that information has been shown to result in the greatest amount of voluntary energy conservation by each individual. Conducting outreach activities in this manner can make a fundamental contribution in any approach to achieve greater residential energy conservation. DOE does not have an effective outreach strategy and does not evaluate its outreach activities to determine their impact on consumer conservation. It cannot demonstrate how its outreach programs complement the outreach programs being provided by others. The four major DOE outreach efforts have not been integrated into a cohesive program strategy. DOE has devoted inadequate resources to evaluation. In limited cases where evaluations had been performed, either the procedures were questionable or the results were not applied. The Energy Extension Service (EES) does not effectively coordinate Government outreach activities and is carrying out programs similar to ones previously funded.

Recommendations: The Secretary of Energy should elevate the organizational status of the EES program. In carrying out this recommendation, the Secretary should consider the organizational status provided EES in its original legislation. The Secretary of Energy should develop and implement an integrated residential energy conservation outreach strategy which has as its centerpiece encouraging residential consumers to obtain on-site energy audits.

Agency Comments/Action

The Department disagreed with the recommendations and stated its view that the Federal Government should have a limited role in conservation outreach activity. The Department further stated that it was requesting no funding for its residential energy conservation strategy (RCS) and EES in fiscal year 1982 and would propose the repeal of the legislation establishing RCS and EES.

Appropriations

Energy conservation - Department of Energy, Assistant Secretary for Conservation and Renewable Energy

Appropriations Committee Issues

The Committees should consider that, while Congress has authorized funding for RCS and EES in fiscal year 1982, any administration action to repeal the legislative authority for these programs should be evaluated in terms of the likelihood that services provided through these programs will be forthcoming from non-Federal sources.

DEPARTMENT OF ENERGY

Natural Gas Plan Needed To Provide Greater Protection for High-Priority and Critical Uses (EMD-81-27, 3-23-81)

Budget Function: Energy: Energy Information, Policy, and Regulation (0276)
Legislative Authority: Natural Gas Act (15 U.S.C. 717). Department of Energy Organization Act (42 U.S.C. 7101). Natural Gas Policy Act of 1978 (92 Stat. 3350). National Energy Conservation Policy Act (92 Stat. 3206). Powerplant and Industrial Fuel Use Act of 1978 (92 Stat. 3289). Public Utility Regulatory Policies Act of 1978 (92 Stat. 3117). Energy Tax Act of 1978 (92 Stat. 3174). Energy Supply and Environmental Coordination Act of 1974 (88 Stat. 246).

Conventional sources of natural gas supplies are being depleted. Federal natural gas legislation clearly shows Congress' intent to ensure the efficient use of natural gas over the long term. It has had very limited success in previous attempts to restrict consumption and growth in the natural gas market through means of a coal conversion program and an end-use curtailment policy. Natural gas policies and strategies have been implemented at the State and local levels and by interstate pipeline companies to meet their economic self-interests and local needs. GAO reviewed the natural gas policies in nine States.

Findings/Conclusions: Some of the States reviewed had no curtailment policy or controls. Some issued no curtailment guidelines for utility companies under their jurisdiction but approved end-use curtailment plans on a case by case basis. One State directed utilities to file curtailment plans and suggested they follow the Federal priority-of-service categories but approved the utilities' plans whether or not such priorities were followed. The other States had developed a single statewide curtailment plan that local utilities were required to adopt and follow. The final use of natural gas did not necessarily conform to the Federal prioritized system of curtailment. Federal authority to control or regulate natural gas did not extend beyond delivery to utility companies. Federal efforts to control the attachment of new customers has been jurisdictionally limited. Of the 22 utility companies included in the GAO review, 18 were seeking new customers. GAO found that 75 of the 78 large industrial end-users contacted had installed an alternate fuel capability as a result of prior natural gas shortages. Of the large industrial end-users, 22 believed that future natural gas supplies would be adequate. GAO reviewed the growth of new hookup policies of three interstate natural gas pipeline companies and noted that all three were permitting their distributers to attach new customers. Two of the companies were not promoting gas for industrial boiler use.

Recommendations: The Secretary of Energy and the Chairman of FERC should clearly communicate that the gas-for-oil program is temporary and not to be interpreted as a departure from overall Federal efforts to encourage the efficient use of natural gas. The Secretary of Energy should take the lead and work with the Chairman of FERC to develop a plan to provide greater assurance that natural gas supplies will be available for high priority and critical uses in the mid- and long-terms until substitutes are developed or the transition to alternates is feasible. The plan should be built on an analysis of natural gas supply and demand scenarios and regulatory impacts, and their effect on end-users at the national, State, and regional levels. The plan should include a determination of Government actions and contingency measures needed which will assure the availability of natural gas for high priority and critical uses.

Agency Comments/Action

The Department of Energy disagreed with the GAO recommendations, and the Department's 60-day response reaffirmed its position that additional planning to protect high-priority uses over the long term is unnecessary because adequate mechanisms exist to provide such protection.

Appropriations

Energy information, policy, and regulation - Department of Energy, Federal Energy Regulatory Commission

Appropriations Committee Issues

DOE and FERC should develop a plan to protect high-priority natural gas uses over the long term. The resources needed for preparing the plan may have implications for the DOE budget.

DEPARTMENT OF ENERGY

The Energy Conservation Program for Schools and Hospitals Can Be More Effective (EMD-81-47, 3-23-81)

Budget Function: Energy: Energy Conservation (0272)
Legislative Authority: Energy Conservation Policy Act (P.L. 95-619).

Schools and hospitals are major consumers of energy, and a substantial potential exists for them to reduce their energy consumption and costs through a variety of energy conservation actions. The Schools and Hospitals Program was established by the National Energy Conservation Policy Act as a matching grant program to assist schools and hospitals in reducing their energy consumption. Funding of almost $1 billion was authorized for the program, which is operated by the Department of Energy (DOE).

Findings/Conclusions: As currently structured, the Schools and Hospitals Program is not an effective use of Federal funds when compared to other DOE conservation programs. It is among the highest in cost but among the lowest in yielding energy savings. The focus of the Program should be directed toward providing more energy audits. However, the funding for phase I energy audits has been used, and the remaining funds are going into the less cost-effective phase II measures of the Program. The Program could be more effective if its assistance were more closely matched to the needs of the institutions it serves. The ability of DOE to evaluate the results of the Program is severely limited by the lack of program performance data. DOE management of the program has also been hampered by the lack of a firm staff and organization.

Recommendations: Congress should adjust the Program to provide funding for additional energy audits so that they are available to all institutions which want and could benefit from them. The Secretary of Energy should assess the Schools and Hospitals Program on a continuous basis. The Secretary of Energy should promptly fill key positions in the Schools and Hospitals Program on a permanent basis. The Secretary of Energy should provide Congress the results of the DOE ongoing study of alternatives to the 50 percent cost sharing arrangement for phase II grants. The Secretary of Energy should provide information on how many institutions could benefit from energy audits and how much funding will be required to provide them.

Agency Comments/Action

DOE basically agreed with the recommendations but expresses reservations over what kinds of conservation activities represented the most cost-effective opportunities. DOE indicated that it was studying the matter and would have a report within a year (by February 1982).

Appropriations

Energy conservation - Department of Energy, Office of Conservation and Renewable Energy

Appropriations Committee Issues

Since this is the only conservation program for which the Administration requested specific funding, and one of the few which received substantial funding through House and Senate action, the Committees should consider the need to focus support provided by the program on the most cost-effective conservation activities.

DEPARTMENT OF ENERGY

DOE Light Water Reactor Fuel Utilization Improvement Program (EMD-81-51, 3-23-81)

Budget Function: Energy: Energy Supply (0271)

GAO was asked to evaluate the Department of Energy's (DOE) light water reactor fuel utilization program. The objectives of the review were to ascertain how reasonable the DOE goals are; what progress DOE has had in meeting the goals; and what, if any, technical or regulatory problems need to be resolved. The original goals of the fuel utilization program were to demonstrate nuclear fuel savings improvements by 1988 that would permit utilities to reduce fuel requirements by 15 percent and to demonstrate further improvements by the year 2000 that could result in an additional 15-percent fuel savings. When DOE set up the program, it estimated that these savings, if realized, could extend the Nation's uranium reserves by 5 to 8 years.

Findings/Conclusions: Although the DOE program is still at an early stage and only limited program results are available, GAO found that: (1) the 1988 DOE goal is reasonable since a large part of the short-term demonstration program consists of proving that existing fuels can be used longer and working on new fuel savings designs and other improvements; (2) many utilities will probably use a major DOE short-term improvement, longer burnup fuel, to accomplish their own economic objectives of minimizing power generation costs at the expense of maximizing fuel savings; (3) how extensively the commercial nuclear industry will implement fuel savings improvements is uncertain at this time; (4) a draft study assessing potential regulatory issues has concluded that there are no regulatory problems which might preclude the widespread use of the DOE short-term improvments; and (5) the program will not foreclose a future option of reprocessing light water reactor spent fuel and recycling recovered uranium and plutonium or of deploying breeder reactors. Additionally, GAO found that, although the key to the success of the program is industry implementation, it is unlikely that DOE will realize its fuel savings goals in an absolute sense if the present trend toward longer intervals between refuelings continues.

Recommendations: The Secretary of Energy should defer spending research and development funds on fuel saving improvements which are at best only marginally attractive with reprocessing and recycling until a final decision is made on reprocessing and recycling policy. The Secretary of Energy should carefully consider the prospects for industry implementation to achieve maximum fuel savings and give priority to those improvements which offer both the highest fuel savings and the best chance of implementation to achieve those savings.

Agency Comments/Action

DOE concurs fully in the recommendations. Since the Administration's decision to permit reprocessing, DOE has sought to bring to an orderly closeout work on a large number of the more marginal potential improvements. The work already terminated or to be terminated by the end of the current fiscal year includes work on all nonbackfittable improvements and work on all but two of the backfittable improvements.

Appropriations

Energy supply research and development - Department of Energy

DEPARTMENT OF ENERGY

The Department of Energy's Water-Cooled Breeder Program--Should It Continue? (EMD-81-46, 3-25-81)

Budget Function: Energy: Energy Supply (0271)
Legislative Authority: Energy Reorganization Act of 1974 (P.L. 93-438).

The water-cooled breeder program of the Department of Energy (DOE) is trying to prove that existing types of nuclear powerplants, called water-cooled reactors, can produce more fuel than they consume. DOE needs to consider certain factors when deciding whether the water-cooled breeder concept should be developed further. GAO addressed: (1) whether the water-cooled breeder program should continue; (2) the effectiveness of the program's management; and (3) the resolution of necessary issues before the water-cooled breeder becomes commercially viable.

Findings/Conclusions: GAO believes that the water-cooled breeder program should continue. However, DOE should move forward now to prove that the water-cooled breeder does breed rather than pursuing other, secondary objectives which will substantially add to the cost and time required to complete the project. Day-to-day management control is effective, but changes could be made to long-term planning efforts. Long-term cost and schedule estimates to allow for more accountability for achieving critical steps in the development process need to be developed. DOE should transfer responsibility for the program to the division responsible for developing other commercial reactor systems. The issues identified by GAO which need to be resolved before the water-cooled breeder can become commercially viable are the: (1) future role of nuclear power in meeting the energy needs of the Nation; (2) potential role of the water-cooled breeder versus other breeder technologies; (3) apparent lack of substantial electric utility and nuclear vendor interest; (4) need to develop a thorium fuel cycle capability; and (5) need for nuclear fuel reprocessing.

Recommendations: The Secretary of Energy should transfer responsibility for any further development of the water-cooled breeder to the Deputy Assistant Secretary for Nuclear Reactor Programs if such development is warranted. The Secretary of Energy should establish fixed milestones and cost projections for all major activities so that (1) the performance of the program can be better measured, (2) accountability over achieving critical steps in the development process can be better established, and (3) congressional oversight over program progress can be improved. The Secretary of Energy should discontinue reactor operation at Shippingport by January 1982 and initiate the proof-of-breeding experiment at that time.

Agency Comments/Action

For the most part, DOE does not agree with the GAO recommendations and, therefore, does not plan any changes to the management of the water-cooled breeder reactor program.

Appropriations

Water-cooled breeder program - Department of Energy, Division of Naval Reactors

Appropriations Committee Issues

The Omnibus Budget Reconciliation Act of 1981 considered GAO recommendations and directed that: (1) funding for the water-cooled breeder reactor program be reduced by $13 million for FY 1982; and (2) the light-water breeder reactor core be removed in FY 1983 to assure an orderly termination of the Shippingport subprogram by the end of that fiscal year so that the private sector can make a decision on commercialization of this approach.

DEPARTMENT OF ENERGY

Department of Energy Needs To Resolve Billions in Alleged Oil Pricing Violations (EMD-81-45, 3-31-81)

Budget Function: Energy: Energy Information, Policy, and Regulation (0276)
Legislative Authority: Emergency Petroleum Allocation Act of 1973 (15 U.S.C. 751 et seq.). Economic Stabilization Act of 1970 (12 U.S.C. 1904). Department of Energy Organization Act (P.L. 95-91; 42 U.S.C. 715; 91 Stat. 565). Windfall Profit Tax Act (Crude Oil) (P.L. 96-223). Freedom of Information Act.

Congress attempted to minimize the effects of rapidly increasing prices for imported oil by passing the Emergency Petroleum Allocation Act which established petroleum pricing controls. The Department of Energy (DOE) seeks to identify oil pricing violations, recover oil company overcharges, and obtain restitution for parties injured by the overcharges.

Findings/Conclusions: DOE has alleged billions of dollars in oil pricing violations but has not been able to effectively enforce pricing regulations, primarily because of oil industry legal challenges. In many cases, DOE has attempted to avoid the cost and time involved in litigating civil cases by negotiating settlements with companies. However, less than one-third of the total alleged violations had been settled as of January 1981. In addition, DOE has generally been unable to obtain restitution for parties that have been injured through overcharges. The major obstacle to making restitution is the inability of DOE to identify precisely who has been injured by overcharges, since in many instances the overcharges were passed through the marketing chain in subsequent sales.

Recommendations: Congress should approve the DOE funding request, assuming it is reasonable and appropriate, for DOE to carry out a plan for resolving the violations and litigation outstanding when deregulation occurred. The Secretary of Energy should expedite DOE efforts to issue proposed remedial orders. The Secretary of Energy should pursue ongoing litigation and continue to use administrative and court litigation, where appropriate. DOE should, however, negotiate settlements where it is deemed to be in the public interest. The Director of OMB should assist DOE in developing a plan to include DOE personnel and funding needs for the orderly resolution of the violations and litigation outstanding when deregulation occurred. The Director should approve the plan and submit it for congressional approval. The Commissioner of IRS should conduct a study to determine the effect that successful legal challenges to DOE regulations could have on IRS ability to enforce the Windfall Profit Tax Act. The Commissioner, through the Secretary of the Treasury, should then issue IRS regulations that reflect the changes required by the study. The Secretary of Energy should (1) allow refunds to customers only when DOE can assure itself that such refunds will result in restitution to injured parties; and (2) direct the appropriate enforcement officials, when injured parties cannot be readily identified, to petition the Office of Hearings and Appeals to implement special refund procedures to identify and make refunds to parties who have suffered injuries because of overcharges. After applying this process, deposit any remaining escrow accounts' funds and the remaining cash proceeds of consent orders directly into the United States Treasury. The Secretary of Energy should (1) separately identify and publicly disclose restitutional and nonrestitutional provisions in consent orders; and (2) include in consent orders specific requirements for the documentation a company must provide DOE as evidence of compliance. The Secretary of Energy should work with the Attorney General to (1) establish guidelines for the Justice review of settlement agreements which include companies withdrawal of civil suits against the Government; and (2) develop appropriate language to resolve current Justice objections to nonlitigative provisions in Office of Special Counsel global settlements for inclusion in pertinent future settlements.

Agency Comments/Action

DOE generally agreed with most of the GAO recommendations. However, it does not believe that the recommendations regarding consent orders have merit. DOE said that: (1) consent orders clearly spell out all remedies identified in the orders, and (2) it has a monitoring process to assure compliance with consent orders. OMB said that the recommendation for it to assist DOE in developing a plan for the orderly resolution of the violations and litigation outstanding when deregulation occurred does not reflect its normal division of responsibility with Executive departments and agencies. OMB said that DOE should develop the plan, and it would work cooperatively with DOE. On July 28, 1981, GAO testified before the Subcommittee on Oversight and Investigations, House Committee on Energy and Commerce that DOE had not prepared such a plan either. IRS officials agreed with the recommendation made to them.

Appropriations

Compliance and enforcement program - Department of Energy, Economic Regulatory Administration

Appropriations Committee Issues

DOE should develop a long-range plan based on a workload analysis that adequately considers the orderly resolution of outstanding violations and litigation in order to assist Congress in making appropriations for the DOE compliance program. The staffing required to implement its plan would impact on the DOE compliance budget.

DEPARTMENT OF ENERGY

Full Development of OTEC's Potential May Be Impeded
(EMD-81-62, 4-10-81)

Budget Function: Energy: Energy Supply (0271)
Legislative Authority: Ocean Thermal Energy Conversion Research, Development, and Demonstration Act of 1980 (P.L. 96-310).

GAO reviewed selected aspects of the Department of Energy's (DOE) Ocean Thermal Energy Conversion (OTEC) Program to ascertain the OTEC potential, the reasonableness of the DOE program approach, and related funding.

Findings/Conclusions: DOE altered its program approach from researching and developing various possible OTEC options to emphasizing development of the most technically advanced systems. A comprehensive plan, currently being developed for submission to Congress, is primarily directed toward accomplishing the specific interim program goals through the year 1999 as detailed in applicable legislation. GAO is concerned that the plan may not adequately address the full impact of the change in program approach on the development of the OTEC potential to the United States. Current DOE efforts emphasize near-term projects directed toward deployment of pilot plants by 1986. With the shift in program approach, DOE is emphasizing the development of the floating-moored plant concept using the closed-cycle system. Also, DOE has reduced its efforts on other OTEC alternatives, which could result in possible harm to the overall goal of gaining significant amounts of energy from OTEC if the floating-moored plant concept is found not to be easily adapted to other locations or applications. While the GAO report was in final preparation, the Administration revised its budget request for fiscal year 1982 to include no funds for the program. DOE justified this proposed program elimination on the basis that OTEC technology has matured sufficiently so that further development can be left to the private sector. This may work for the proposed closed-cycle pilot plant if private firms can obtain the necessary funding, but alternatives still in the research phase are not likely to receive support from private firms.

Recommendations: The Secretary of Energy should address in the plan the recently proposed program elimination and its impact on the development of the full potential of OTEC. In this regard, it should address the implications of the DOE shift of emphasis toward pursuing interim program goals, including its apparent emphasis on the floating-moored plant concept for producing baseload electricity for an island power grid. Alternate strategies and resources needed for reaching the full potential of OTEC should also be addressed. The Secretary of Energy should address in the plan the DOE strategy for providing or obtaining a definitive worldwide OTEC resource assessment indicating how much energy OTEC systems can make potentially available to the United States and a corresponding detailed market survey for potential OTEC products.

Agency Comments/Action

To date, DOE has not submitted any OTEC management plan to Congress, even though legislatively required by April 17, 1981. DOE believes that such a plan along with the OTEC program is not needed in consonance with the DOE philosophy to concentrate on the development of long-term, high-risk energy technologies and leaving demonstration and deployment of near-term technology to industry.

Appropriations

Operating expenses, energy supply, and research and development activities - Department of Energy, Assistant Secretary for Conservation and Renewable Energy

Appropriations Committee Issues

DOE has not requested any funding for its OTEC program for fiscal year 1982 and beyond. However, Congress authorized $25 million for fiscal year 1982. DOE has indicated that it may ask for a rescission if any funds are appropriated. Also, DOE has not submitted an OTEC program management plan as required by P.L. 96-310, July 17, 1980. The underlying issue is whether DOE can circumvent a legislatively mandated program and corresponding program plan.

DEPARTMENT OF ENERGY

The Department of Energy Should Provide Leadership To Assure Near-Term Gasoline Conservation Opportunities Are Realized

(EMD-81-52, 4-13-81)

Budget Function: Energy: Energy Conservation (0272)
Legislative Authority: Department of Energy Organization Act (P.L. 95-91). Energy Policy and Conservation Act (P.L. 94-163).

Gasoline conservation can play an important role in the next few years in helping reduce the Nation's dependence on foreign oil. Even though gasoline consumption has decreased over the past 2 years, additional gasoline savings are possible by accelerating improvements in vehicle fleet fuel efficiency, applying fuel-efficient driving practices, and reducing the number of vehicle miles driven. GAO examined the Department of Energy's (DOE) programs that promote gasoline savings by educating drivers about these conservation opportunities.

Findings/Conclusions: DOE programs designed to encourage near-term gasoline conservation savings lack overall direction and focus and, while they may individually address appropriate conservation opportunities, together they are not part of any overall strategy. This lack of direction and focus is evidenced by: (1) the DOE programs not supporting the goals DOE has set for near-term gasoline conservation savings; (2) inconsistency between the DOE statements regarding the importance of such savings and the low priority DOE has assigned to the area; and (3) the failure of DOE to perform adequate program evaluations.

Recommendations: The Secretary of Energy should systematically assess DOE's role in facilitating and supplementing private sector near-term gasoline conservation efforts. The results of the assessment should then be used to create a strategy to guide program development, implementation, and evaluation. In developing the strategy, the Secretary should consider programs and activities carried out by all DOE components having responsibility for near-term gasoline conservation. The strategy should also consider and build upon near-term gasoline conservation efforts of the private sector and other Federal agencies, most notably the Department of Transportation.

Agency Comments/Action

DOE agreed that there is a need to perform a new systematic assessment of the current and projected energy situation. DOE stated that this assessment will be done as part of the DOE sunset evaluation and will result in the development of a programmatic transportation energy conservation strategy that reflects both energy and budget realities.

Appropriations

Energy conservation - Department of Energy, Office of Conservation and Renewable Energy

Appropriations Committee Issues

The Committees should undertake oversight of the programmatic transportation energy conservation strategy to assure that DOE accomplishes the development of a transportation energy conservation strategy that reflects both energy and budget realities.

DEPARTMENT OF ENERGY

Concern Over Efforts To Put in Place a Permanent Facility for Solar Energy Research Institute (EMD-81-68, 4-27-81)

Budget Function: Energy: Energy Supply (0271)
Legislative Authority: Solar Energy Research, Development, and Demonstration Act (P.L. 93-473).

GAO reviewed Department of Energy (DOE) efforts to put in place a planned permanent facility for the Solar Energy Research Institute (SERI) in Golden, Colorado.

Findings/Conclusions: GAO found that about $3 million has been spent over a 2-year period on designing the facility without the benefit of a clearly defined role for SERI in the national solar program or long-range requirements for the use of the SERI facility. DOE took needed actions to defer design work on the permanent facility pending its reassessment of the role and mission of SERI and a determination of the size and cost of the project. GAO agrees with this decision and believes that these actions should help ensure that DOE puts in place a facility which meets its needs. However, there are two matters which give GAO additional concern and which need immediate attention. First, the future design efforts may not take into consideration, to the extent practicable, the requirements for the use of the facility over its estimated life. Second, its associated support facilities, both of which are part of the total proposed permanent facility complex, should not proceed without adequate justification.

Recommendations: The Secretary of Energy should defer related design and construction until such efforts are justified. The Secretary of Energy should monitor the Office of Field Operations and International Programs' assessment of the role and mission of SERI to ensure that it is done in a timely manner and results in a clear definition of the SERI role in the national solar program. The Secretary of Energy should identify, to the extent practicable, the research development and demonstration and administrative requirements for the facility over its estimated useful life and incorporate those requirements in a long range plan for the facility's use. The Secretary of Energy should give high priority to ensuring that the justification is prepared and approved in a timely manner, taking into consideration the inadequacies of the leased facilities presently being used for carrying out the SERI activities and any advantage that an early commitment to such construction may offer in meeting Colorado's deadline and other requirements for transferring title to the land on which the facility is to be located.

Agency Comments/Action

In response to the report, DOE informed GAO that the recommended assessment of the role and mission of SERI is currently underway and, for fiscal year 1982 and beyond, specific DOE guidance to SERI on its role and mission is being developed in conjunction with the fiscal years 1982-1987 institutional planning process. DOE informed GAO that this plan will delineate the role and mission for SERI and specifically address requirements for the facility to the extent practicable. However, to ensure that this is done in a timely and effective manner, the GAO recommendation that the Secretary monitor these efforts is still appropriate. DOE also informed GAO that it did not believe that further justification for the experiment test area and support facilities was needed and was proceeding with its final design efforts.

Appropriations

Plant and capital equipment, energy supply, and research and development - Department of Energy, Assistant Secretary for Conservation and Renewable Energy

Appropriations Committee Issues

SERI still lacks a clearly defined role and mission. Until such a role and mission is developed, the Committees should closely monitor DOE and SERI activities as they relate to funding SERI activities and constructing facilities to carry out these activities.

DEPARTMENT OF ENERGY

DOE Needs To Improve Timeliness of Third Annual Reports on Title I of PURPA (EMD-81-56, 4-28-81)

Budget Function: Energy (0270)
Legislative Authority: Public Utility Regulatory Policies Act of 1978.

Title I of the Public Utility Regulatory Policies Act establishes three purposes: end-use conservation, utility efficiency, and equitable rates. To achieve the purposes, State regulatory authorities and nonregulated electric utilities must consider five regulatory standards and determine if such standards should be adopted for each electric utility for which it has ratemaking authority. States and nonregulated electric utilities must also begin considering six ratemaking standards and determine if such ratemaking standards should be implemented. States and nonregulated electric utilities are required to report to the Department of Energy (DOE) on their consideration and determination progress of the 11 standards. DOE must prepare a report to the President and Congress containing a summary and analysis of the reports submitted by States and nonregulated utilities, and recommendations for Federal actions to carry out the purposes of title I. The annual reports are expected to be a vehicle for accurately measuring the progress of these entities in order to provide a basis for legislative oversight by Congress.

Findings/Conclusions: The GAO review of the reports issued so far disclosed that information contained in the reports was 4 months old when submitted from States and nonregulated electric utilities to DOE, 10 months old when reported from DOE to the President and Congress, and 18 months old when the statutory completion dates for the consideration process for the ratemaking and regulatory standards were reported. Out-of-date information can hinder Congress' legislative oversight responsibilities and delay possible needed amendments to the legislation. The noncurrent information has caused confusion and concern about the progress in implementing title I. GAO evaluated two options for making the information more timely. The first option was the use of an abbreviated interim report from States and nonregulated utilities. The second option was the advancement of the cut-off date for the information in the reports. DOE, the States, and nonregulated utilities were opposed to the idea of an interim report. GAO found that the cut-off date for information in the annual reports from States and nonregulated utilities could be advanced and not result in more cost or work to the reporting entities. DOE is aware of the problem of out-of-date information and has recently taken steps toward minimizing the timeliness problem for the third annual reports. Administration budget proposals for fiscal years 1981 and 1982 severely reduce the DOE staff that are responsible for grant programs and legislated reports, including this work.

Recommendations: The Secretary of Energy should require States and nonregulated electric utilities to submit their third annual report to DOE by December 31, 1981, with status information through November 9, 1981. Because of the limited staff available, DOE should monitor the development of the report and the staffing level to assure that the report is issued by June 30, 1982.

Agency Comments/Action

In its 60-day letter, DOE agreed with all of the recommendations; however, it did not give any indication of how it was going to implement them. A letter is now being drafted to DOE requesting it to state what it is going to do.

Appropriations

Energy ratemaking - Department of Energy
Energy ratemaking - Energy Regulatory Administration

Appropriations Committee Issues

The Committees should consider providing fiscal year 1982 funding for DOE to prepare its annual report to the President and Congress.

DEPARTMENT OF ENERGY

Federal Electrical Emergency Preparedness Is Inadequate (EMD-81-50, 5-12-81)

Budget Function: Energy: Emergency Energy Preparedness (0274)
Legislative Authority: Defense Production Act of 1950. National Security Act of 1947. Civil Defense Act of 1950. Executive Order 11490. Executive Order 12148.

GAO reviewed the vulnerability of the Nation's electric power systems to disruptions from acts of war, sabotage, and terrorism and analyzed the Federal role in dealing with major, long-term electrical emergencies resulting from such acts.

Findings/Conclusions: Federal leadership for electrical emergency planning and preparation is unorganized and ineffective. GAO found that: (1) the Department of Energy (DOE) has an inadequate program for dealing with major electrical disruptions; (2) DOE Emergency Electric Power Administration representatives are unsure of their status, roles, authority, and responsibility, and doubtful that the organization could operate during an emergency; (3) DOE does not have adequate plans to manage and mitigate electric power disruptions; (4) emergency plans to manage such disruptions and restore the power system are needed; and (5) problems exist in Federal coordination with respect to electric emergency preparedness.

Recommendations: Congress should enact legislation requiring that appropriate plans be developed by a specified date. The Secretary of Energy should carry out his responsibility for electrical emergency preparedness and provide adequate resources to the Electric Emergency Power Administration. The Director of the Federal Emergency Management Agency should (1) actively monitor DOE efforts to vitalize its emergency electric power program and develop associated plans; (2) require progress reports from DOE and review its progress; and (3) actively assist, support, and coordinate DOE efforts especially with respect to other Federal agencies.

Agency Comments/Action

DOE will be placing renewed emphasis on electrical power emergency preparedness as part of an overall energy emergency planning program. FEMA stated that it is in the process of developing a readiness review program to foster improvements in electrical emergency preparedness.

Appropriations

Department of Energy, Emergency Electrical Power Administration
Federal Emergency Management Administration

Appropriations Committee Issues

DOE has indicated that they have recently undergone a reorganization to establish a new Assistant Secretary for Environmental Protection, Safety, and Emergency Preparedness. As a result of this reorganization, renewed emphasis is expected to be placed on electrical emergency preparedness.

DEPARTMENT OF ENERGY

Millions Wasted Trying To Develop Major Energy Information System (AFMD-81-40, 5-15-81)

Budget Function: Financial Management and Information Systems: Regulatory Accounting Rules and Financial Reports (1106)
Legislative Authority: Department of Energy Organization Act.

From the early 1970's through 1977, the Federal Power Commission invested millions of dollars in an unsuccessful effort to develop a large computerized system to improve Federal and State effectiveness in regulating the energy industry. After the Department of Energy (DOE) took over the system in 1977, it invested another 2 years and more money, but serious management weaknesses from the beginning kept the system from ever operating. The objectives of a comprehensive review of the Regulatory Information System by GAO were to: (1) assess the results achieved from the system development effort, (2) study why delays and problems continued to be encountered, and (3) consider whether further corrective actions by Federal managers might still be needed.

Findings/Conclusions: It was not possible to identify all the costs associated with the effort to develop the Regulatory Information System, because Federal offices did not separately account for all costs identified with the development and attempted implementation of the system. However, GAO identified over $26.5 million in such costs. The system failed because management deficiencies existed in all three major stages. In planning, the Federal Power Commission did not clearly define user needs or perform an adequate cost-benefit analysis of the system. In development, the Commission did not: (1) finalize reporting forms to be used by industry, (2) ensure the workability of the computer software, nor (3) define the format in which the reported data would be used. Implementation deficiencies occurred in attempting to use the system prematurely; large amounts of data were loaded into computerized files which were later found to be unusable. To make matters worse, neither the Commission nor the Energy Information Administration effectively monitored cost and progress during any of the three stages. The management deficiencies were further intensified by such disruptive influences as poor communication among system developers and intended users at Federal and State levels, lack of continuous involvement and support from top Federal management, and disruptions in both organization and personnel.

Recommendations: The Secretary of Energy should have the Administrator of the Energy Information Administration (EIA) establish procedures for reviewing the development of current and future energy information systems. The review procedures should stress the importance of assuring that (1) user requirements are adequately identified, (2) appropriate cost-benefit analyses are performed, (3) plans are prepared for each stage of the system development work, and (4) the work of system developers and the needs of system users are coordinated throughout the development effort. The Secretary of Energy should have the Administrator of the EIA formally document and communicate to the interested public plans for the future use, if any, of the Regulatory Information System concept and the computer software developed, giving reasons for the actions to be taken.

Agency Comments/Action

In its response under Section 236 requirements, DOE said it would take actions to comply with the GAO recommendations. Specifically, the Department said it would (1) enhance its procedures for reviewing the development of energy information systems, and (2) provide a public notice on the status of the major system which failed.

DEPARTMENT OF ENERGY

NRC Should Specify User Needs and Improve Cost Control for Its Document Control System (EMD-81-90, 6-3-81)

Budget Function: Energy: Energy Information, Policy, and Regulation (0276)

GAO was requested to review the Nuclear Regulatory Commission's (NRC) technical information and document control system. The review focused on determining: (1) the document control system's ability to meet the needs of the NRC staff; (2) the costs of the system; and (3) the adequacy of contracting procedures followed in acquiring the system. **Findings/Conclusions:** GAO found that the document control system is being used by less than half of its potential users, the NRC staff is experiencing problems in using the system, and its costs have increased substantially beyond those NRC originally estimated. Although only a few contractors submitted a proposal for the procurement, the review shows that NRC followed acceptable contracting procedures in acquiring the system. The review showed that prospective contractors did not question the award of the contract. Potential problems of system users usually can be identified and resolved through a comprehensive requirements study. However, NRC did not conduct such a study to determine the specific needs of the document control system's users. In addition, GAO found that the NRC staff is experiencing serious problems in using the system because: (1) the system's data base is incomplete; (2) the quality of document images displayed on video computer terminals is poor; and (3) operating procedures for locating documents are difficult to use. NRC has initiated or planned corrective actions to make the document control system more responsive to its staff's needs and to improve controls over the system's costs. **Recommendations:** The Chairman of NRC should direct the completion and implementation of planned corrective actions to prevent the processing of duplicate documents. The Chairman of NRC should direct the completion and implementation of planned corrective actions to resolve problems that NRC staff is experiencing in using the system. The Chairman of NRC should direct the completion and implementation of planned corrective actions to specify the needs of NRC staff for an automated technical information and document control system.

Agency Comments/Action

NRC officials stated that they have initiated actions to implement each of the three recommendations made in this report.

Appropriations

Administration - Nuclear Regulatory Commission

DEPARTMENT OF ENERGY

New England Can Reduce Its Oil Dependence Through Conservation and Renewable Resource Development (EMD-81-58, 6-11-81)

Budget Function: Energy: Energy Supply (0271)

About 80 percent of New England's energy needs are met by oil, primarily foreign imports. As a result, electric rates and heating bills in the area are among the highest in the Nation. The region is vulnerable to oil supply disruptions, and its economy is drained to pay for foreign oil. New England has made significant strides since the oil embargo in its continuing efforts to reduce oil consumption. It is now using about 12 percent less oil for heating and generating electricity than it did before the embargo due to increased use of nuclear power and conservation measures. The New England Power Pool has other actions planned to more than double present nuclear power generation and significantly increase the use of coal. New England must be prepared to take even more stringent measures if its dependence on uncertain and increasingly expensive supplies of oil is to be reduced.

Findings/Conclusions: Energy consultants employed by GAO concluded that substantial oil savings could be achieved by policies which emphasize conservation and renewable resources. They predicted that, by the year 2000, alternative supplies of energy could reduce oil consumption for electricity generation by 49 percent and that increased conservation could reduce oil consumption by 57 million barrels for electricity generation and heating. The types of actions considered included appliance and lighting efficiency standards, electric space heat regulation, voltage regulation, passive solar energy requirements in new construction, increased use of wood, tidal power, and solar wastes. Further reductions of oil consumption would require a more effective regional effort by the Department of Energy (DOE), the New England States, utilities, and appropriate regulatory bodies. The State public utility commissions must play the primary role in working with the utilities to increase conservation and the use of renewable resources. State legislatures should consider laws to continually improve energy efficiency. Electric utility plans need to reflect the potential from conservation and alternative supplies. States need to assure that utilities' plans include potential conservation and alternative supply options. Public utilities commissions need to develop economic and regulatory incentives to motivate conservation and alternative energy supply options. Each commission needs to determine whether appropriate emphasis is being placed on conservation and renewable energy resources.

Recommendations: The Secretary of Energy should determine that if sufficient progress is not being made, then it should request that Congress consider stronger measures. The Secretary of Energy should establish a responsibility center in the New England regional office to coordinate regional efforts to reduce oil consumption. This responsibility should include: (1) monitoring utility plans and State oversight of those plans and helping to assure that conservation and alternative supply options have been considered in utility forecasts; (2) working with State utilities commissions and regional utilities to identify the energy, regulatory, and economic policies that influence utility policies and determine possible changes which would better assure that all options are included in formulating those policies; (3) assessing utility forecasting methods and providing advice and input in power supply and demand alternatives; (4) preparing a plan for regulatory intervention to be used when DOE oversight of electric power planning, at State utility commission or utility company level, indicates that all options are not being given adequate consideration; and (5) providing technical assistance and other support, as necessary, to State regulatory commissions to help improve the quality of electric power planning.

Agency Comments/Action

Comments from the agency have not been received.

Appropriations

New England power pool - Department of Energy

DEPARTMENT OF ENERGY

Policies Governing the Bonneville Power Administration's Repayment of Federal Investments Need Revision (EMD-81-94, 6-16-81)

Budget Function: Energy: Energy Supply (0271)
Legislative Authority: Bonneville Dam Act (16 U.S.C. 832f). Flood Control Act (16 U.S.C. 825s). P.L. 96-501. P.L. 89-448.

The Bonneville Power Administration increased its wholesale electric power rate by about 90 percent in 1979 and has proposed another rate increase of about 50 percent effective July 1, 1981. It expects to follow these increases with annual rate hikes over the next several years. Because of widespread concern over the power rates, GAO conducted a survey of Bonneville's policies for repaying Federal investments in power generating and transmitting facilities. Bonneville's repayment policies form the basis for calculating its annual revenue requirements, which in turn determine the size of its power rate increases and also affect the amount and timing of funds returned to the Treasury. The GAO survey included the Department of Energy's (DOE) study of alternative amortization methods initiated in 1979. **Findings/Conclusions:** Early in its history, Bonneville adopted annual amortization schedules as a businesslike approach to measuring repayment progress. An economic crisis during the late 1950's and early 1960's caused it to depart from this approach, and it could not meet its scheduled annual repayment requirements. Believing that a rate increase would seriously impair the economic growth of the region, it adopted a policy which used future revenue forecasts to provide conformance to repayment requirements. A 1966 House committee report has remained the test for revenue and repayment sufficiency, but DOE and the Department of the Interior have continued to change repayment policies. While Bonneville has been encouraged to explore a cost accounting amortization approach as an alternative to the current repayment study methodology, its officials have decided to retain the existing repayment methodology in the near term and are willing to consider a range of cost-based alternatives. However, Bonneville has neither identified a preferred alternative nor established a schedule for doing so. GAO believes that a cost-based approach would offer many advantages over the current methodology. The factors identified by GAO as those Bonneville should consider in evaluating its current policies and alternatives fall into two categories involving: (1) requirements of the Pacific Northwest Electric Power Planning and Conservation Act, and (2) principles of good Government. The requirements of the Act should be major considerations in evaluating repayment policies. **Recommendations:** The Secretary of Energy should evaluate and explain decreases in cumulative repayments in responding to this letter, and, if these decreases are found to be recapitalizations or refinancing of previously repaid investments, stop the practice immediately. The Secretary of Energy should develop and implement a cost-based approach to revenue need determinations to replace the current repayment study methodology to use in preparing the July 1983 rate proposal. Bonneville should develop a schedule for implementation within 60 days of this report. In implementing such an approach, Bonneville should carefully consider approaches such as retaining the congressionally sanctioned 50-year maximum repayment period or, if repayment periods are extended to equal asset lives, should consider adjusting interest rates during each year of the extension period to equal the Treasury's average cost of borrowing.

Agency Comments/Action

GAO had not yet received the 60-day letter from DOE as of October 20, 1981. However, in its informal comments on the GAO draft report, DOE disagreed with the recommendations. When the 60-day letter is received, GAO will consider sending DOE a letter alerting it to the matters at hand.

Appropriations

Operation and maintenance - Department of Energy, Bonneville Power Administration

Appropriations Committee Issues

Bonneville's repayment policy affects the amount and timing of funds returned to the Federal Treasury and would have an effect on the Federal budget.

DEPARTMENT OF ENERGY

Department of Energy Can Improve Management of the Acquisition of Major Projects (MASAD-81-33, 6-22-81)

Budget Function: Energy: Energy Information, Policy, and Regulation (0276)
Legislative Authority: OMB Circular A-109.

The Office of Management and Budget (OMB) Circular A-109 directs Federal agencies to develop guidance to manage their major system acquisitions. The Department of Energy (DOE) has spent more than 2 years developing directives in accordance with OMB Circular A-109 and recently issued the final directives for its major systems. These systems are very costly, complex projects. GAO reviewed the development and procurement of such projects to find out what problems remain.

Findings/Conclusions: GAO found that DOE had not adequately identified its mission areas. Major headquarters offices did not prepare mission analyses to identify and set priorities for the agency's requirements. DOE management lacked total commitment to support project management, thereby limiting the role and authority of the project manager. This was evidenced by the limited number of approved project manager charters, project plans, and project management plans. In addition, the project manager generally operates under two levels of authority; a field operations manager and the Washington headquarters manager. The review and evaluation of major system acquisitions by the DOE advisory board was limited because pertinent documentation, such as independent cost estimates, approved project plans, and project management plans, was missing.

Recommendations: The Subcommittee on Investigations and Oversight, House Committee on Science and Technology, should closely monitor the progress of DOE in identifying priority systems and providing adequate resources to manage major system acquisitions. Further, to enhance its legislative oversight capacity, the subcommittee may want to require DOE to institute a selected acquisition reporting system similar to that now used by the Department of Defense and the National Aeronautics and Space Administration. The Secretary of Energy should (1) identify and assign mission areas to the responsible major headquarters offices and require each to complete a mission analysis; (2) require each of its major headquarters offices to set forth continuing plans to conduct a mission analysis to identify and establish priorities for requirements; (3) require project managers to report directly to the responsible headquarters office to strengthen the role of the project manager and increase the level of visibility of major systems; and (4) require that major systems reviewed and evaluated by the Energy System Acquisition Advisory Board be supported by pertinent documentation.

Agency Comments/Action

DOE agreed with three of the four recommendations. The agency stated that it intends to improve the avenue of accessibility for the project managers as part of several policy changes intended to improve its Project Management System.

Appropriations

Research and development - Department of Energy
Procurement - Department of Energy

DOE Needs To Reestablish a Solar Energy Goal and Develop Plans To Achieve That Goal (EMD-81-100, 6-25-81)

Budget Function: Energy: Energy Supply (0271)

The former President set a national goal of meeting 20 percent of the Nation's energy needs with solar and renewable resources by the end of this century. GAO recently completed a survey which followed up on actions taken by the Department of Energy (DOE) in response to past GAO recommendations that DOE develop and establish a plan for solar energy, furnish the plan to the congressional oversight and budget committees to assist them in their deliberations on solar energy policy and budget matters, and periodically review the plan's effectiveness.

Findings/Conclusions: GAO found that DOE had taken steps toward developing a plan for achieving the 20-percent goal but, with the change in administration and the Administration's recent proposed cuts in the Federal solar budget, the viability of the goal is uncertain and planning efforts are at a standstill. Anticipated Federal solar energy efforts from 1981 through 1986 are projected to amount to nearly $8.6 billion, including nearly $7 billion in tax credits. The substantial Federal support makes it essential that a solar goal be reestablished. DOE needs to develop a long-range plan for achieving that goal, including interim goals which would provide a yardstick for measuring the success of Federal efforts to develop and promote the use of solar energy. The goal and plan are needed to guide Federal efforts toward ensuring that solar technologies are developed in time to meet the Nation's energy needs. The Administration's proposed approach would reduce Federal support for solar energy in terms of Federal budget authority but would continue to increase overall Federal support when tax credits are considered. However, DOE no longer believes that a solar goal is appropriate and has no plans to reestablish such a goal.

Recommendations: The Secretary of Energy should give high priority to reaffirming the 20-percent goal or establishing a new goal to provide needed focus and direction to the various Federal efforts aimed at promoting the development and use of solar energy and a mechanism for evaluating the effectiveness of such efforts. The Secretary of Energy should periodically review this plan to determine its effectiveness and to identify areas needing modification. The Secretary of Energy should furnish this plan to congressional oversight and budget committees as soon as possible so that it can be of assistance to these committees in their deliberations on solar energy policy and budget matters. The Secretary of Energy should develop a long-range plan for achieving the solar energy goal. The plan should establish interim goals, contain specific actions needed to attain the goals, and identify the roles and responsibilities of the other Federal agencies in the solar energy effort.

Agency Comments/Action

DOE disagreed with the GAO recommendations to set a national goal for solar energy use. DOE stated that the Administration has not and does not plan to set a quantitative goal for solar energy use. The President believes that by adopting a realistic energy pricing policy through oil and natural gas price deregulation, maintaining solar tax credits, and reforming regulatory and institutional practices, a healthy economic and institutional environment will be created that would be conducive to expanded use of solar energy in the United States.

Appropriations

Operating expenses, energy supply, research and development activities - Department of Energy

Appropriations Committee Issues

To ensure that solar technologies are developed in time to meet the Nation's energy needs, the Committees should closely monitor the impact which the Administration's programs are having on the development of solar energy technologies.

DEPARTMENT OF ENERGY

***Better Oversight Needed for Safety and Health Activities at DOE's Nuclear Facilities* (*EMD-81-108, 8-4-81*)**

Budget Function: Energy: Energy Supply (0271)
Legislative Authority: Atomic Energy Act of 1954. Occupational Safety and Health Act of 1970 (29 U.S.C. 653(b)(1)). Energy Reorganization Act of 1974.

GAO was requested to determine if the Nuclear Regulatory Commission (NRC) or some other form of regulation would be preferable to the Department of Energy (DOE) oversight program currently in existence for safety and health matters at DOE nuclear facilities. To determine the adequacy of the DOE oversight program, GAO reviewed the four functional program areas: (1) occupational safety; (2) emergency preparedness; (3) facility design safety; and (4) environmental monitoring.

Findings/Conclusions: GAO found that the DOE program is not adequate to assure that the employees at the nuclear facilities are provided with safe and healthful working conditions. Radiological emergency preparedness has not received sufficient priority in DOE to ensure a level of preparedness for a serious nuclear accident. The DOE emergency preparedness program lacks the coordinated, unified approach necessary to ensure adequate protection at all DOE facilities. The effort by DOE for assuring that emergency preparedness programs are in place and working are ineffective. DOE has not fulfilled responsibilities assigned to it by the Federal Emergency Management Agency (FEMA) because it has failed to assign sufficient resources. In a previous report, GAO identified a number of weaknesses in the DOE emergency preparedness program which still exist. DOE is taking little action to assure that its older facilities meet current safety criteria and standards. The DOE safety analysis program, designed to provide such assurance, received relatively low priority and, as such, DOE is not aware of the level of design safety at many nuclear facilities. While the DOE operating contractors are reporting that their operations are conducted well within radiological environmental standards, the program lacks consistency from contractor to contractor and from DOE field office to field office. In addition, DOE relies virtually exclusively on the operating contractor for environmental oversight.

Recommendations: Congress should consider legislation to require NRC to review and evaluate a number and a variety of DOE nuclear facilities and processes, including detailed review of plant operations, the contractors safety analysis methodology and report, and actions taken to mitigate hazards. The Secretary of DOE should reorganize those field organizations involved in safety and health oversight to report directly, and exclusively, to the elevated safety and health organization at headquarters. The Secretary of DOE should require, for a potentially serious safety or health complaint which cannot be adequately resolved at the contractor level, that DOE safety and health officials conduct an independent investigation and provide to the complainant a response which clearly addresses the issues of the complaint and provides data clearly supportive of the DOE findings or opinions. The Secretary of DOE should take action to develop a uniform policy for dealing with safety and health violations. This policy should include a system to delineate classes of violations based on danger to employees as well as requirements for posting violations, setting abatement timeframes, and checking to ensure that corrective action has been taken. The Secretary of DOE should direct that a formal, consolidated system be established to collect and analyze information on workplace hazards for all DOE nuclear facilities and establish priorities for future safety and health oversight activities based on that analysis. The Secretary of DOE should consolidate the policymaking, coordinating, and appraisal functions into one organizational unit. To ensure that this unit has sufficient authority to carry out its responsibilities, it should at least be at a level of authority higher than those units responsible for implementing established policy. The Secretary of DOE should expedite the development of DOE emergency preparedness requirements. These requirements should clearly define DOE and contractor responsibilities and should describe specific emergency preparedness criteria. Such criteria should reflect post Three Mile Island lessons learned. The Secretary of DOE should establish requirements for annual appraisals of field office and contractor emergency preparedness programs. In addition, the Secretary should require that DOE independently review and evaluate contractor drills on a regular basis. The Secretary of DOE should provide the support necessary to carry out responsibilities delegated by FEMA in its national effort to improve emergency preparedness around nuclear facilities. The Secretary of DOE should take the necessary steps, as recommended previously, to correct the weaknesses noted in a March 1979 report. The Secretary of DOE should take action to increase safety analysis program staffing and budget to provide the program with the capability to adequately conduct and review safety analyses. The Secretary of DOE should establish a target completion date for the safety analysis program and issue specific criteria for conducting safety analysis for existing facilities. The Secretary of DOE should direct that radiological monitoring and radiological monitoring oversight requirements be issued for mandatory application to all DOE facilities. The Secretary of DOE should develop a coordinated system whereby radiological monitoring data supplied by the DOE operating contractors are verified with State or local government agencies with monitoring capability. The Secretary of DOE should evaluate the oversight aspects of the headquarters safety and health organization to report, as a staff organization, to the DOE Under Secretary. At this organizational level, competition with program offices should not exist and the safety and health organization would have the authority to mandate adherence to policy and standards.

Agency Comments/Action

The agency issued several orders to rectify the problems noted, but in general, it disagreed with the report.

Appropriations

Operational and environmental safety - Department of Energy

Appropriations Committee Issues

Major changes are required in the safety and health oversight program at the DOE contractor-operated nuclear facilities to ensure that safety, health, and environmental standards are met. This responsibility falls to the operating contractors, who are also responsible for meeting production or program objectives. As a result, safety and health concerns must often compete with program goals . A major reorganization of the DOE safety and health program, as well as other actions, is needed to correct program deficiencies. The Committees should consider legislation to require the NRC to review the safety of several DOE nuclear facilities. This would result in an increase in appropriations for NRC.

TVA's Coal Procurement Practices--More Effective Management Needed (EMD-81-65, 8-14-81)

Budget Function: Energy: Energy Supply (0271)
Legislative Authority: Tennessee Valley Authority Act of 1933. Clean Air Act.

Because the coal purchases of the Tennessee Valley Authority (TVA) have a major impact on its costs and power rates, GAO reviewed the coal purchasing practices of TVA over the past 10 years and analyzed the timing of TVA coal purchases, the process used in buying coal including the type and length of contract, TVA quality assurance practices, and the level of coal inventories at the powerplants.

Findings/Conclusions: TVA contracted for about 74 percent of the total coal contracted for in the 1970's during periods when a sellers' market existed and when TVA had to pay premium prices for the coal. TVA often negotiated the contracts for these purchases on an emergency basis, but GAO questioned whether the negotiated procurements qualified as emergency procurements. Because most of the coal contracts held by TVA contain escalation clauses, the high base prices are ballooning. Continued escalation could be reduced by renegotiating those contracts that are still active. A TVA policy of buying coal only from producers east of the Mississippi River is costly. TVA has frequently endorsed support of small coal operators as a means of maintaining competition in the coal industry and restraining cost increases. A Small Coal Operators Assistance Program has not been operating long enough to be fully evaluated. However, the program may not be as effective as possible because not all set-asides provided under the program will be established and potential participants are excluded because of the definition of a small operator. The acquisition and development of TVA-owned coal reserves have experienced problems. Quality assurance practices are not fully adequate to detect delivery of inferior quality coal, TVA has not aggressively enforced measures to make sure it receives the quality of coal paid for, and TVA is not adequately compensated for differences in coal quality. Because of inflexible term contracts, TVA has acquired coal inventories well in excess of target quantities at many steamplants.

Recommendations: TVA should revise its coal purchasing practices and implement a better program of forward planning to minimize the award of contracts during periods when coal demand is high and to limit the duration of contracts that must be awarded during these periods. TVA should work for the success of the Small Coal Operator Assistance Program by establishing all set-asides possible. TVA should consider all responsive offers from coal suppliers regardless of geographic location, and the economics of the source should be the primary consideration as to whether the offer is accepted or rejected. TVA should renegotiate at the earliest opportunity long-term contracts with reopeners entered during unfavorable conditions. If better prices cannot be renegotiated, TVA should consider cancellation. TVA should exercise caution in proceeding with development of the Ewing-Northern Coal Association (ENCA) reserves, particularly the economic feasibility of producing the desired quality and quantity of coal from ENCA. It should avoid the problems encountered at Breckenridge in developing ENCA. Specifically, ENCA production levels should be realistically established; the coal quality of ENCA should be thoroughly analyzed to determine if it will need to be washed. If so, the expense of another wash plant should be factored into the feasibility determination and, if transportation is contracted for separately, the contract should not be tied to optimum production levels and should allow for reopeners. TVA should discontinue using the current coal quality price adjustment formula. Instead, it should review the alternate formula GAO developed or should develop another formula that will reflect actual costs. In addition, the formula should be included in any planned procurements as soon as possible. TVA should install effective sampling facilities at the Kingston Steam Plant and take action against those vendors that continually provide lower quality coal. TVA should also assign someone to monitor the sampling at Breckinridge. In the future, TVA should also avoid contract provisions that allow contractors to do sampling. TVA should revise its coal procurement procedures to make greater use of spot purchases at all steamplants and satisfy a specific percentage of forecasted coal requirements through spot purchases, and it should include provisions in all term contracts which give it the option to cut back on deliveries when needs are not as great as forecast. TVA should incorporate new density figures, based on density surveys recently completed and those now being conducted, into inventory calculations. TVA should exercise its option to reduce deliveries by 10 percent to steamplants with inventories that exceed target levels.

Agency Comments/Action

The 60-day letter is not due until October 14, 1981. However, the agency comments to the draft report were extremely negative and disagreed with the GAO conclusions and recommendations.

Appropriations

Procurement - Tennessee Valley Authority, Office of Power

DEPARTMENT OF ENERGY

Unresolved Issues Resulting From Changes in DOE's Synthetic Fuels Commercialization Programs (EMD-81-128, 8-17-81)

Budget Function: Energy: Energy Supply (0271)
Legislative Authority: Energy Security Act. Clean Air Act. Clean Water Act of 1977. Environmental Policy Act of 1969 (National). Surface Mining Control and Reclamation Act of 1977. Defense Production Act of 1950. Nonnuclear Energy Research and Development Act of 1974.

GAO examined the changes in the Department of Energy's (DOE) synthetic fuels programs for coal liquefaction, coal gasification, and oil shale.

Findings/Conclusions: DOE, under a congressionally sanctioned interim synthetic fuels program, has recently reached agreement to support three industry proposals aimed at commercial production of synthetic fuels. The Administration proposes to eliminate the DOE synthetic fuels commercialization activities and transfer the interim program to the U.S. Synthetic Fuels Corporation (SFC) which is consistent with the intent of the Energy Security Act of 1980. With the elimination of DOE commercialization activities, the Administration is relying on industry, with assistance from SFC, to develop synthetic fuels. In addition, the Administration proposes to eliminate DOE demonstration functions and cut back substantially on pilot plant activities. The Administration views the role of DOE in synthetic fuels as being limited to long-term, high-risk, and high-payoff research and development (R&D). However, GAO found that specific definitions do not exist for these terms. In the environmental area, GAO found that the DOE health and environmental research work associated with pilot and demonstration plants may also be reduced. Because SFC is required to approve the environmental and health-related emission monitoring plans, GAO believes that it has the ultimate responsibility for defining an acceptable monitoring plan. However, GAO believes that DOE and the Environmental Protection Agency (EPA) have a responsibility to officially communicate their needs for project emission data to the project sponsors and SFC. SFC has indicated that no policy matters will be dictated until it has a Board of Directors.

Recommendations: The Secretary of Energy should establish definitions for long-term, high risk, high-payoff programs and direct that they be consistently applied to funding current and future R&D projects. The Chairman, Synthetic Fuels Corporation, should invite comments on the proposed guidance from all interested parties including DOE, EPA, and State environmental agencies. The Chairman, Synthetic Fuels Corporation, should publish final guidance, after confirmation of a Board of Directors, which considers the comments. The Chairman, Synthetic Fuels Corporation, should publish guidance for implementation of Section 131(e) of the Energy Security Act. This guidance should include: (1) who should initiate the contracts between the project sponsors and DOE, EPA, and State agencies; (2) when the initial contracts should occur; and (3) how SFC will negotiate and reach agreement on acceptable environmental monitoring systems.

Agency Comments/Action

In testimony given on September 16, 1981, before the Environment, Energy and Natural Resources Subcommittee of the House Committee on Government Operations, the SFC Chairman indicated that SFC will become more involved in meeting the environmental challenges of synthetic fuels development than was planned prior to the GAO review. This action complies with recommendations made in the GAO report. Official agency comments on the report are due November 16, 1981.

Appropriations

Operating expenses and capital acquisitions - Department of Energy

DEPARTMENT OF ENERGY

DOE's Alcohol Fuels Awards Process Resulted in Questionable Award Selections and Limited Small Business Success

(EMD-81-125, 8-21-81)

Budget Function: Energy: Energy Supply (0271)
Legislative Authority: Supplemental Appropriations and Rescission Act, 1980 (P.L. 96-304). Energy Security Act (P.L. 96-294). Department of the Interior and Related Agencies Appropriation Act, 1980 (P.L. 96-126). Nonnuclear Energy Research and Development Act of 1974 (P.L. 93-577).

As part of the alternative fuels program, the Department of Energy (DOE) made two rounds of alcohol fuels feasibility study grants and cooperative agreement awards. In response to requests by four congressmen, GAO evaluated the criteria and process that DOE used to evaluate proposals and make award selections and the extent to which awards were made to large and small businesses.

Findings/Conclusions: GAO found that certain events which occurred during the process DOE used to select awardees reduced the integrity of the selection process and furthermore cast doubt over whether DOE selected the best proposals for award. DOE devoted substantial effort to conducting detailed technical evaluations of the proposals it received, yet frequently disregarded these evaluations in making award selections. It often passed over proposals with high technical rankings to select those with much lower rankings. The primary rationale given by DOE for selecting lower ranked proposals was the desire to achieve nontechnical objectives set forth in its program policy factors. While consideration of such factors in the selection process is valid, GAO believed that their application in the alcohol fuels competitions was excessive. The integrity of the DOE awards selection process was further reduced by altered cost and business management evaluations. In addition to scoring each proposal according to technical criteria, DOE evaluated the cost reasonableness and business management aspects of each cooperative agreement proposal. GAO found that the ratings on nearly half the proposals had been altered by one member of the evaluation team. Finally, GAO found that the approach DOE used in conducting its competitions limited the success small businesses had in obtaining contract awards. The DOE evaluation criteria were slanted so that large corporations with considerable financial resources were in a better position to receive contract awards.

Recommendations: The Secretary of Energy should establish guidelines governing the application of program policy factors in the selection process and the treatment of minority viewpoints during the proposal evaluation process. Concerning the program policy factors, these guidelines should set forth appropriate limits on the importance attributed to program policy factors in the selection process and direct that, when applied, the factors are applied consistently to all proposals. With respect to the treatment of minority views, the guidelines should provide an equitable mechanism for hearing and considering those views, perhaps in minority report format, while still maintaining the consensus viewpoint for consideration. The Secretary of Energy should strengthen the DOE commitment towards enhancing small business involvement. While implementing this commitment could involve a number of specific steps, GAO believes that some of the more obvious ones include providing assistance to help small businesses prepare better proposals, placing small business advisors on proposal evaluation teams, and establishing targets for small business involvement.

Agency Comments/Action

Agency comments have not been received to date.

Appropriations

Operating expenses, energy supply, and research and development activities - Department of Energy, Assistant Secretary for Conservation and Renewable Energy

Appropriations Committee Issues

The Committees should assess the DOE efforts to develop guidelines for making better alcohol fuel awards in any future competitions and the success of small business in such competitions.

DEPARTMENT OF ENERGY

A New Headquarters/Field Structure Could Provide a Better Framework for Improving Department of Energy Operations

(EMD-81-97, 9-3-81)

Budget Function: Energy: Energy Information, Policy, and Regulation (0276)
Legislative Authority: Department of Energy Organization Act (P.L. 95-91).

The Department of Energy (DOE) field structure is a collection of the field offices associated with the various agencies which were consolidated to form DOE. GAO examined the DOE headquarters/field organization structure to determine its impact on the agency's ability to carry out its mission and evaluated the effectiveness of the organizational structure as it relates to lines of authority between headquarters and field offices.

Findings/Conclusions: GAO believes that the recent reorganizations DOE has made will not capitalize on the benefits that are available under the direct line authority organization structure. Currently, the DOE program Assistant Secretaries do not have the authority to control and direct the field staff who implement their program requirements. As a result, programs are not implemented as effectively, efficiently, and economicaly as possible. Because of the potential for conflict between functional and program goals and objectives, functional offices often are and should be independent of program offices. In the DOE field offices, most functional offices report to the field office managers on the program, not the functional side of the organizational structure. Headquarters functional office managers generally do not have direct line authority over functional staff in the field. Direct lines of authority between headquarters functional managers and field functional staffs could provide a framework for getting a better staff assignment mechanism in the field, more consistent implementation of departmental requirements, and better evaluation of functional activities and staff performance and control to take corrective actions.

Recommendations: The Secretary of Energy should give program Assistant Secretary-level managers direct line authority over all field program staffs responsible for implementing their respective program requirements. This authority should ensure that headquarters program managers could assign, reassign, direct, control, and evaluate the field staffs authorized to their respective program areas. The Secretary of Energy should give direct line authority to the headquarters functional office managers over all their respective field functional office staffs. In exercising this authority, headquarters functional office managers should ensure that the independence of functional offices is maintained in headquarters and in the field so that they can effectively carry out their missions, and program Assistant Secretary-level managers receive functional support for actions that are considered critical for meeting established program goals and objectives. DOE should create, to the extent practicable, dedicated functional support staffs for each program Assistant Secretary-level manager.

Agency Comments/Action

DOE disagreed with the GAO recommendations when it commented on the GAO draft report. The 60-day letter is not due until November 3, 1981. However, in light of the President's proposal to eliminate DOE, it is doubtful that any consideration would be given to these recommendations in the near future.

Appropriations

Department of Energy

DEPARTMENT OF ENERGY

Burdensome and Unnecessary Reporting Requirements of the Public Utility Regulatory Policies Act Need To Be Changed

(EMD-81-105, 9-14-81)

Budget Function: Energy: Energy Information, Policy, and Regulation (0276)
Legislative Authority: Public Utility Regulatory Policies Act of 1978 (P.L. 95-617). 28 U.S.C. 1252.

GAO reviewed the need to continue portions of the Public Utility Regulatory Policies Act which address retail rate and regulatory policies for electric utilities. The Act was established to encourage conservation of energy supplied by electric utilities, efficiency in the use of facilities and resources by these utilities, and equitable rates to electricity consumers. It requires each State regulatory authority, in the case of every electric utility for which it has ratemaking authority, and nonregulated electric utilities to consider and determine whether adoption or implementation of 11 ratemaking and regulatory standards is appropriate. They are required to report to the Department of Energy (DOE), the President, and Congress on their actions and to make recommendations on additional Federal actions needed to achieve the purposes of the Act. The Act also requires utilities to file biennially with the Federal Energy Regulatory Commission (FERC) and their respective State regulatory authorities extensive cost-of-service data.

Findings/Conclusions: DOE is unclear regarding the specific contents of the annual reports and believes that the contents should focus on the status of the consideration process, not the actual implementation of the standards. The preparation of future annual reports is jeopardized by the Administration's proposed budget cuts. The effectiveness of the DOE annual reports is somewhat weakened by untimely and nonverified information on actual State and utility progress in considering and making a determination on the standards. Some of the data available from sources other than DOE on State and utility ratemaking status are more timely than the material presented in the DOE annual report. There is a wide variance of opinion among utilities regarding the cost of compliance. Officials at small utilities stated that the costs of compliance are especially burdensome to them. Despite serving fewer customers, the load research sample requirements for small utilities are nearly as large as those of the much larger utilities. The current use of filed reports by the Federal Government, States, utilities, and special interest groups is minimal. The content, analyses, and potential use of the data have yet to be thoroughly reviewed by States and special interest groups.

Recommendations: Congress should repeal section 116 of the Public Utility Regulatory Policies Act effective after the completion of the DOE third annual report. Congress should ensure, through the appropriations process, that DOE has sufficient priority to prepare and submit its third annual report to the President and Congress in a timely fashion. The Chairman of FERC should review and, as appropriate, revise its regulations for implementing section 133 in order to reduce the cost and burden on utilities. In doing so, FERC should, before the next filings are due: (1) review the extent to which data collected under section 133 duplicates other data submitted to the Federal Government; (2) assess whether the number of utilities required to comply with section 133 should be reduced in terms of size, number of utilities reporting per State and other factors; and (3) determine whether the data are actually being used by the parties for which they were intended and whether the benefits received from use of the data outweigh the costs. If FERC finds that it is cost beneficial to amend its regulations to reduce the number of utilities required to comply with section 133, it should seek such authority from Congress. However, if FERC shows that the costs to utilities to comply with section 133 are greater than the benefits to States, special interest groups, and other potential users of the filings, then FERC should request that Congress repeal the section.

Agency Comments/Action

Congress has not yet acted on the recommendations made to it. DOE agreed with the recommendations to Congress when it commented on the draft report. FERC did not provide official comments on the draft report. The 60-day period is not up until November 14, 1981, at which time official responses are due.

Appropriations

Title I of PURPA - Department of Energy, Federal Energy Regulatory Commission

Appropriations Committee Issues

For fiscal year 1982 appropriations, GAO recommended that Congress ensure that DOE has sufficient funds to prepare and submit its third annual report. For fiscal year 1983, GAO recommended that Congress repeal section 116 of PURPA which requires DOE to prepare and submit reports after completion of the third annual report. This would save the Federal Government money by decreasing the DOE appropriation.

DEPARTMENT OF ENERGY

Congress Should Increase Financial Protection to the Public From Accidents at DOE Nuclear Operations (EMD-81-111, 9-14-81)

Budget Function: Energy: Energy Information, Policy, and Regulation (0276)
Legislative Authority: Price-Anderson Act (Atomic Energy Damages). Atomic Energy Act of 1954 (P.L. 83-703).

GAO examined the Price-Anderson Act as it governs the nuclear accident liability of Department of Energy (DOE) contractors to determine the number of DOE contractors protected by the Act and to render an opinion on the necessity for continuing such protection.

Findings/Conclusions: The Act provides protection to both DOE contractors and the public to cover liability resulting from a nuclear accident. Although 75 DOE prime contractors are specifically protected by the Act, the protection is also extended to many thousands of subcontractors working at DOE facilities. GAO believes that the protection provided by the Act should be continued. This conclusion was arrived at after carefully considering the current U.S. position to develop nuclear power and the availability of other forms of insurance for nuclear activities. GAO believes that certain provisions in the Act should be changed or clarified to provide better public protection from catastrophic nuclear accidents. For example, the Act provides more financial protection for accidents resulting from a commercial activity than those resulting from a Government operation. Further, the current limit on liability may not provide sufficient public financial protection to adequately compensate victims of catastrophic nuclear accidents. Moreover, GAO believes that the Act's definition of a nuclear incident is unclear. As a result, liability arising from some nuclear accidents may not be covered.

Recommendations: Congress should amend the Price-Anderson Act to increase protection for DOE-contractor activities to provide public protection equal to that for licensed commercial activities. This amendment should also include provisions to assure that, as commercial coverage increases, contractor coverage also increases. Congress should amend the definition of nuclear incident contained in chapter 2, section 11 (q) of the Atomic Energy Act of 1954, Public Law 83-703, as amended, by adding the following at the end of the definition: "and provided further, that it shall include any occurrence where the Commission, or the Department of Energy in relation to its contractors, determines a release of radiation may be imminent." Congress should reexamine the limit on liability to determine whether a new limit needs to be set and/or whether the limit should be tied to an index to allow for periodic readjustment.

Agency Comments/Action

Recommendations made to Congress have not been acted on yet.

Appropriations

Department of Energy

DEPARTMENT OF ENERGY

Ineffective Management of the Appropriate Technology Small Grants Program (EMD-81-113, 9-15-81)

Budget Function: Energy: Energy Conservation (0272)
Legislative Authority: Department of Energy Organization Act. P.L. 95-39.

GAO reviewed the Department of Energy's (DOE) Appropriate Technology Small Grants (ATSG) program. GAO believes that the ATSG program can help overcome barriers to the development and use of energy-related appropriate technology.

Findings/Conclusions: The broad ATSG program goals established by DOE appear to adequately reflect the legislative purposes of the program. However, GAO does not believe that DOE has managed the ATSG program effectively. GAO found that: (1) the DOE efforts to make technical assistance available to grantees have been limited; (2) DOE has not effectively coordinated the ATSG program with related DOE or other Federal agency programs which have the potential to help further ATSG program goals; and (3) DOE failed to assure that the criteria used to evaluate the merits of proposals for program funding were being consistently applied. As a result of these problems, GAO believes that the limited program funds have not been used most effectively to encourage the development and widespread use of energy-related appropriate technology.

Recommendations: The Secretary of Energy should direct the Department to develop an effective mechanism to disseminate project results to potential users. The Secretary of Energy should make technical assistance available to grantees to resolve problems identified through project monitoring or brought to the Department's attention by grantees.

Agency Comments/Action

DOE has not formally responded to the GAO recommendations. However, DOE has stated that it does not intend to continue funding the ATSG program.

Appropriations

Energy conservation - Department of Energy, Assistant Secretary for Conservation and Renewable Energy

Appropriations Committee Issues

While DOE has not requested funding for the program in fiscal year 1982, Congress has authorized funding for the continuation of the program on a limited basis. Committee oversight is needed to ensure that the continuing appropriate technology projects, funded in prior years, are completed, and the results of successful projects disseminated and utilized to the fullest extent in related, ongoing Federal programs.

DEPARTMENT OF ENERGY

Weaknesses in Internal Financial and Accounting Controls at DOE Accounting Stations (AFMD-81-106, 9-17-81)

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (1101)
Legislative Authority: DOE 1500.3. 2 GAO 12.4. 2 GAO 32. 7 GAO 4. 7 GAO 11.2. 7 GAO 12.2. 7 GAO 24.2. 7 GAO 24.5. 7 GAO 25.6. 7 GAO 27.4. 1 Treasury Manual 6-8000.

GAO made a survey of the accounting controls over revenue and expenditure transactions at 10 accounting stations within the Department of Energy (DOE). The survey was based on questionnaires designed to identify potential internal control problems and on interviews and discussions with accounting station officials. When responses indicated potential weaknesses, GAO tested selected transactions to determine if the weaknesses existed but did not attempt to establish their extent or the precise corrective actions which were needed.

Findings/Conclusions: The survey identified weaknesses in internal controls over accounts receivable, collections, disbursements, imprest funds, and obligations. In addition, GAO noted a lack of audits of internal control procedures by DOE auditors and a general absence of local operating instructions. GAO found that: (1) accounts receivable were inadequately controlled, many receivables were not entered in the accounting records, and those that were recorded were not monitored to ensure timely collections; (2) collections were ineffectively safeguarded, were not properly logged in, correctly accounted for, or promptly deposited; (3) disbursements were made without complying with established procedures, preaudits were inadequate to preclude duplicate payments or overpayments, single monthly travel vouchers were not used, and Government transportation requests and airline tickets were ineffectively controlled; (4) imprest funds were poorly managed, were not periodically verified or audited, and opportunities to reduce fund balances had not been explored; (5) obligations were not properly handled, commitments were made before funds were certified as being available, and obligations were not validated at yearend; and (6) operating instructions and audit coverage were inadequate, written procedures were nonexistent or in draft form, and internal control audits were not being performed. Adequate internal audit coverage could have detected most of the control deficiencies discussed, thus, providing the agency management with the opportunity to correct them.

Recommendations: The Secretary of Energy should: (1) ensure that adequate followup actions are taken to correct the weaknesses GAO identified; (2) ensure that written procedures covering all aspects of financial and accounting operations, including related internal controls, are developed and issued to all appropriate DOE offices; (3) issue instructions emphasizing that DOE fiscal procedures and instructions must be followed; and (4) instruct the Inspector General's office to increase its audit coverage of the DOE internal financial operations with particular emphasis on internal controls.

Agency Comments/Action

Agency officials have initiated or promised corrective actions on most of the internal control weaknesses identified at the 10 accounting stations discussed in the report. However, because the weaknesses were widespread, the Secretary of Energy should follow up to assure that the weaknesses are corrected on an agency-wide basis and that the Inspector General of the Department increases audit coverage of the Department's internal financial operations.

Appropriations

Financial management - Department of Energy

Appropriations Committee Issues

Because of the importance of internal controls in preventing fraud, waste, and abuse, the Committees should follow up to assure that the Secretary of Energy takes the required corrective actions.

Federal Energy Regulatory Commission Needs To Act on the Construction-Work-In-Progress Issue (EMD-81-123, 9-23-81)

Budget Function: Energy: Energy Information, Policy, and Regulation (0276)
Legislative Authority: Economic Recovery Tax Act of 1981 (P.L. 97-34).

GAO reviewed the overall financial environment under which the utility industry is presently operating.

Findings/Conclusions: The financial indicators of the electric utility industry have deteriorated due to high inflation, high interest rates, accelerating construction costs, decline in demand, and a less than adequate rate of return. This has led to uncertainty about the industry's ability to attract investment capital needed to complete ongoing and planned construction programs. GAO sees the real issues as being whether companies need rate relief to maintain financial integrity and whether construction programs which depend on such relief are needed to meet future electric energy demands. There are differing views on the extent of these problems and how they should be solved. Industry and the financial community have proposed immediate rate relief options; some States believe more can be done through improved load forecasting, conservation, load management, and use of alternative sources. Some companies have adopted many of these methods to alleviate their financial burdens.

Recommendations: The Chairman of the Federal Energy Regulatory Commission should pursue with the Department of Energy the customizing of the Energy Information Administration model to use in analyzing construction-work-in-progress requests. The Chairman of the Federal Energy Regulatory Commission should develop a generic rulemaking for construction-work-in-progress which better defines financial hardship criteria that can be applied to a utility seeking regulatory rate relief. This criteria should address how to take into consideration on a case-by-case basis a utility's current generation mix, such as: (1) how dependent a company is on oil and gas; (2) an analysis of a utility's demand forecast to verify that capacity expansion is, in fact, necessary; and (3) an analysis of whether the utility is following least-cost supply options.

Agency Comments/Action

Comments were not requested and the 60-day letter is not due until November 23, 1981. Therefore, there are no comments or actions at this time.

Appropriations

Federal Energy Regulatory Commission, Office of Electric Power Resources

DEPARTMENT OF ENERGY

FEDERAL ENERGY REGULATORY COMMISSION

FERC Should Improve the Natural Gas Well Determination Process (EMD-81-88, 7-30-81)

Budget Function: Energy: Energy Information, Policy, and Regulation (0276)
Legislative Authority: National Gas Policy Act of 1978.

GAO reviewed the Federal Energy Regulatory Commission's (FERC) natural gas well determination process. The Natural Gas Policy Act (NGPA) established a series of maximum lawful prices for various categories of natural gas. These prices were intended by Congress to provide producers with an incentive to locate and develop new sources of natural gas and to continue production from marginal wells. The ceiling prices vary by category and escalate each month based on the annual inflation adjustment. To establish entitlement for ceiling prices under any of the incentive price categories, producers and operators must apply for a well category determination, which is made on the basis of documentation evidencing that a well meets the qualification requirements defined in the law and in FERC regulations.

Findings/Conclusions: GAO found that, although FERC had established procedures for testing the accuracy of information used in making well determinations, the jurisdictional agencies reviewed have not established these procedures. These agencies' practices were weak, to varying degrees, in the verification of spud dates, well sites, well completion locations, and well production. There were also verification inconsistencies among the agencies. FERC field auditors did not review producer records when necessary to verify the accuracy of supporting evidence and resolve questions of eligibility. FERC desk audits all determinations received from the agencies to establish whether the supporting evidence is sufficient to demonstrate eligibility. FERC has a general policy to review all determinations of eligibility for sufficiency of evidence and for incentive prices provided in NGPA. Both the agencies and FERC check to see whether all required substantiating evidence was submitted with applications and whether such evidence demonstrates compliance with eligibility requirements. GAO believes that FERC could, at this time, adequately discharge its responsibility for monitoring all agencies' determinations by limiting its review to a statistical sample. GAO believes that the FERC objective to establish whether or not agency determinations are supported by substantial evidence can be effectively accomplished by statistically sampling the determinations.

Recommendations: The Chairman of FERC should discontinue desk auditing all determinations for sufficiency of evidence and direct the NGPA Compliance Division to (1) monitor the adequacy of agency procedures based on reviewing a statistically valid sample of determinations for both sufficiency and accuracy of evidence, and (2) consolidate the reviews for sufficiency and accuracy of evidence in one branch. The Chairman of FERC should direct the NGPA Compliance Division to (1) give guidance to the jurisdictional agencies for use in implementing validation procedures, and (2) coordinate its overall compliance activities with the jurisdictional agencies and review producer records when they are the only source of supporting evidence.

Agency Comments/Action

FERC was in general agreement with the GAO recommendations and has taken actions consistent with them. FERC has implemented procedures to selectively review well determinations made by jurisdictional agencies, with greater emphasis on problem-type determinations involving large sums of money. Further staffing reductions will be made as the workload changes and the determination process continues to improve. In addition, FERC will continue to provide assistance and guidance to any jurisdictional agency requesting it and will audit producer records when such records are the sole source of supporting evidence.

Appropriations

Administration of wellhead pricing - Federal Energy Regulatory Commission, NGPA Compliance Division

Appropriations Committee Issues

The Committees should monitor the FERC budget request for the administration of wellhead pricing to see whether staff reductions are being made in the area of desk-auditing well evaluations.

DEPARTMENT OF ENERGY

WESTERN AREA POWER ADMINISTRATION

Electrical Energy Development in the Pacific Southwest (EMD-79-73, 10-16-79)

Budget Function: Energy: Energy Information, Policy, and Regulation (0276)
Legislative Authority: Public Utility Regulatory Policies Act of 1978. (P.L. 95-617).

As part of an effort to assess past and potential roles for Federal power agencies within their respective geographic regions, GAO examined the role of the Western Area Power Administration (WAPA) in the Pacific Southwest (Arizona, California, and Nevada). The 10 energy principles cited in the April 1977 National Energy Plan provided the assessment criteria.

Findings/Conclusions: Because of the unreliability of oil imports, escalating fuel and plant construction costs, environmental concerns, and delays in obtaining approval for nuclear powerplant construction, plans to rely on coal, oil, and nuclear energy to provide for the Pacific Southwest's energy needs through the 1990's have become uncertain. Increasingly, utility companies and State and Federal Governments have considered conservation and the development of renewable energy resources such as solar, wind, geothermal, and biomass. The report analyzed two scenarios for fulfilling the electricity needs of the Pacific Southwest by the year 2000. Scenario I policies restate current State and utility energy policies: heavy reliance on coal and nuclear resources, with efforts to conserve energy and develop minimal amounts of alternative solar and wind resources. Scenario II assumes an aggressive effort by the public, private industry, and the Government to conserve and develop more alternative renewable sources of energy. The analysis demonstrated that Scenario II would provide greater benefits in terms of cost, risk, equity, and environmental impact; would require little change in lifestyle for the general public; and would require no substantial change in current policies at the local, State, Federal, and utility levels. The total estimated costs of these options are $20.4 billion under Scenario I and $14.2 billion under Scenario II.

Recommendations: In order to bring about a gradual increase in WAPA rates leading to a parity with average utility rates prevailing in its marketing area by the year 2000 and to assure the Pacific Southwest an adequate supply of electrical power, Congress should pursue the following policies: (1) relieve WAPA of its charter responsibility for encouraging the widest possible use of electricity at the lowest possible cost and direct it to undertake programs to examine the most appropriate structure of its rates to encourage conservation, consistent with the Public Utility Regulatory Policies Act, and to implement those rates; (2) provide WAPA with bonding authority and direct it to act as a lead agency in its marketing area to help finance conservation and the development of solar and wind resources, and allow funds to be repaid through the power revenues; and (3) provide WAPA with authority to exercise flexibility in power charges.

Agency Comments/Action

The Department of Energy believes that the report accurately points out that WAPA is not fostering conservation or development of new resources, but questions whether this is a proper role for WAPA. It believes, however, that WAPA could arrive at such a role through an evolutionary process. A Department Task Force is currently studying what role WAPA could play in national energy demonstrations.

Appropriations

Power marketing - Department of Energy
New line resource applications - Department of Energy

Appropriations Committee Issues

The recommendations in this report are to make legislative changes in the charter of WAPA. WAPA responsibilities would be expanded with such changes and thus more expenditures would be required. It would give WAPA bonding authority and thus would not require appropriated money. The Appropriations Committees should be aware of and review the increased expenditures.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Early Childhood and Family Development Programs Improve the Quality of Life for Low-Income Families (HRD-79-40, 2-6-79)

Budget Function: Education, Training, Employment and Social Services: Social Services (0506)
Legislative Authority: Education for All Handicapped Children Act (20 U.S.C. 1401). Social Security Act (42 U.S.C. 1396). Social Services Amendments of 1974 (42 U.S.C. 1397).

GAO reviewed the results and costs of federally-funded early childhood development programs for low-income children and their families. About 3.7 million young children are badly in need of help to attain an opportunity to lead successful and healthy lives. Many young children receive inadequate care, and millions of children suffer from poor nutrition, a lack of immunization, abuse, neglect, and undiagnosed learning disabilities. In 1975, about 89,000 women who gave birth received little or no prenatal care, thereby increasing the risk of mental retardation in the newborn. It has been estimated that 75 percent of mental retardation can be attributed to adverse environmental conditions.

Findings/Conclusions: Research completed in 1977 indicates that: developmental programs for low-income children during their first 4 years of life produced lasting, significant gains; helped them to perform substantially better in school than control groups of children who did not participate in early childhood development programs; and were most effective when the child starts at a young age and when parents are closely involved in the program. The research also showed that parents are receptive to and enthusiastically support such programs. The costs of early childhood and family development programs vary, depending on how the programs are implemented and on community needs and resources.

Recommendations: Congress should consider this report in its deliberations on any future legislation that authorizes comprehensive child care programs. If legislation is enacted, it should require that the programs provide or secure (emphasizing use of existing community resources) comprehensive services for young children and their families who wish to participate, including: preventive and continual health care and nutrition services; family services based on a needs and goals assessment for each family; developmental/educational programs for children from birth through preschool years (with recognition that parents are the first and most important educators of their children); and programs that involve parents in program activities and give parents an influential role in program planning and management. Funding comprehensive child care programs should be increased gradually, and evaluations should be made while they are ongoing. The programs should be revised and improved as new and effective techniques pertaining to the development of young children and families are discovered and refined.

Appropriations

Department of Health and Human Services, Office of Human Development Services

Appropriations Committee Issues

Consideration needs to be given to the many benefits which can result from effective early childhood and family development programs. These programs focusing on prevention could reduce problems contributing to educational and health deficiencies in young children which are expensive and difficult to overcome in later years.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

State Advance Payments to Aid to Families With Dependent Children Recipients Are Inconsistent With Federal Regulations

(HRD-80-50, 2-7-80)

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604)
Legislative Authority: 45 C.F.R. 233.20(a)(2)(i). 45 C.F.R. 233.20(b)(1). 45 C.F.R. 233.20(a)(3).

The Aid to Families with Dependent Children (AFDC) program was examined regarding program policies, management characteristics, and operational procedures in six States and several of their local welfare agencies to identify areas in need of further audit or analysis. One of the issues concerning assistance payments was identified as warranting immediate attention. Pursuant to payment policies believed to be inconsistent with Federal regulations, the States of New York and Massachusetts are making advance payments to AFDC recipients and are obtaining 50 percent Federal participation. During 1978, these payments amounted to about $6 million in New York and about $33.6 million in Massachusetts. Of this, an undeterminable amount of the $6 million and about $1.4 million of the $33.6 million are overpayments, which may not be recouped. Federal regulations require that a State plan must specify a statewide standard, expressed in dollar amounts, to be used in determining the (1) need of applicants and recipients, and (2) amount of the assistance payment. The most recent data available indicated that 22 States, including New York and Massachusetts, provided payments that, along with any recipient income, equal 100 percent of the need standard for all recipients. Federal participation in the assistance payment is available on the basis that any recipient income plus the monthly payment does not exceed the need standard. The regulations further provide for Federal participation in the monthly AFDC grant only if the recipient was eligible on the date that the aid was paid.

Findings/Conclusions: The New York policy authorizes advance payment of AFDC funds upon request to recipients facing eviction or utility shutoffs for overdue payments. Essentially, these advance payments are loans, because they are in addition to the regular monthly grants. It is believed that this policy is inconsistent with Federal regulations because the additional moneys are: (1) more than the need standard in the approved State plan and are for expenses covered by prior months' grants, and (2) based on the assumption that a recipient will be eligible in the future. This policy does not limit the size, number, or total amount of advances a recipient can obtain and have outstanding. Although these advance payments are subject to repayment from future grants, if a case with an outstanding advance is discontinued from assistance, the advance payment is often not recouped. This results in abuse of the system and little incentive for recipients to budget regular assistance payments. The Massachusetts policy provides AFDC recipients with a portion of their assistance payment in advance quarterly payments. This, too, appears to be inconsistent with regulations because it presumes continued eligibility for a 3-month period. If an applicant becomes eligible during a quarter, he receives a prorated advance based upon the number of semi-monthly pay periods remaining in the quarter. If a recipient becomes ineligible at any time during the quarter, the State does not require repayment. GAO believes these payments should not be federally reimbursed.

Recommendations: The Secretary of Health, Education, and Welfare should disallow claims for Federal participation in these payments and initiate appropriate efforts to recover the Federal share of any outstanding advance payments. The Secretary should revoke prior approval of the quarterly advance payment policy in Massachusetts and limit Federal participation to payments for those months in each quarter that each recipient was eligible. Further, the Secretary should require the Social Security Administration to review all State AFDC plans and regulations, to see whether their payment policies are consistent with the Code of Federal Regulations, and establish a mechanism within the Administration to make sure that changes are made to those State plans with payment policies that are not consistent with the Code.

Agency Comments/Action

In a follow-up report to Congress (HRD-81-37, December 31, 1980), GAO pointed out that the Department of Health and Human Services (HHS) discontinued Federal participation in advance AFDC payments in Massachusetts and met with New York State officials to discuss the State's AFDC payment policies and determine whether it could modify them. In addition, the Social Security Administration reviewed the other States' AFDC plans and found only one State (Oregon) with an advance payment policy. No further action has been taken.

Appropriations

Aid to Families With Dependent Children Program - Department of Health and Human Services

Appropriations Committee Issues

The Committees should take the necessary steps to assure that HHS discontinues Federal financial participation in New York's and Oregon's AFDC advance payments which are improper and takes action to recover the Federal share of such advance payments.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Implementing GAO's Recommendations on the Social Security Administration's Programs Could Save Billions (HRD-81-37, 12-31-80)

Budget Function: Income Security: General Retirement and Disability Insurance (0601)
Legislative Authority: Social Security Disability Amendments of 1980 (P.L. 96-265). Social Security Act (42 U.S.C. 418; 42 U.S.C. 415(a); 42 U.S.C. 1383(e)(2)). 20 C.F.R. 416. 45 C.F.R. 233.10(b)(3). 45 C.F.R. 233.20(b)(1). H.R. 4904 (96th Cong.).

Income security programs account for over one-third of the Federal budget. The Social Security Administration (SSA) administers some of the largest income security programs, including Old-Age and Survivors Insurance, Disability Insurance, Supplemental Security Income (SSI), and Aid to Families with Dependent Children (AFDC). GAO has issued numerous reports recommending changes in SSA income security programs. Therefore, GAO undertook a review of the income security programs managed by SSA to determine what actions have been taken on previous recommendations and what still needs to be done.

Findings/Conclusions: In its review, GAO found that fully implementing its recommendations would save $1.3 billion in fiscal year 1982 and about $4.5 billion in fiscal years 1983 to 1985. There would be similar savings in later years. The recommendations that would produce the most substantial savings would affect the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds and would require changes to the Social Security Act.

Recommendations: Congress should amend the Social Security Act to require States to deposit social security taxes semimonthly or biweekly. Congress should consider requiring States to deposit social security taxes using the same schedule that States now use to deposit withheld income taxes. Congress should amend the Social Security Act to revoke section 224(d), which allows States to offset their portion of disability benefits. Congress should amend the Social Security Act to compute benefit amounts to the nearest penny or to the nearest 10 cents as proposed by the Secretary of HEW. Congress should eliminate the minimum benefit provision for new beneficiaries. To minimize hardship to the few needy beneficiaries not eligible for SSI, Congress could authorize a limited SSI payment which would replace the portion of the social security benefit lost through eliminating the minimum benefit provision. Congress should amend the Social Security Act to require that the Social Security offset be made effective when workers' compensation benefits are awarded, rather than when SSA is notified of the award. Congress should amend the Social Security Act to provide for determining SSI benefit eligibility and payment amounts on a monthly retrospective basis rather than the quarterly prospective basis. The House and Senate Appropriations Committees should retract the conference committee directive for Federal fiscal sanctions against States based on the AFDC quality control error rates. Congress should, in cooperation with HHS, determine the controls that would best provide additional appropriate and feasible financial incentives and enact legislation to establish them to effectively control AFDC payment errors. Congress should consider the HHS study to determine an ultimate error rate goal in establishing the needed financial incentives. Congress should consider whether the Emergency Assistance program should continue. If Congress determines that the program should continue, it should review the positions of HHS and the courts, including the U.S. Supreme Court, concerning eligibility and the type and extent of emergencies covered. It should then, if necessary, amend the legislation to clearly indicate congressional intent. Congress should amend the Social Security Act to discontinue student benefits for postsecondary students and take steps to assure that the Department of Education will have sufficient financial resources to meet any increased demand for aid arising from discontinuance of these benefits. The Secretary of HHS should direct the Commissioner of SSA to review all retroactive SSI payments of $2,000 or more. The Secretary of HHS should direct the Commissioner of SSA to establish goals for reducing retroactive payment errors. The Secretary of HHS should direct the Commissioner of SSA to complete actions on those recommendations not yet fully implemented. The Secretary of HHS should direct the Commissioner of SSA to complete the analysis of the district office experiment with centralizing overpayment recovery workload and the need for a full-time overpayment specialist. The Secretary of HHS should direct the Commissioner of SSA to immediately refine its management information system to define the exact composition of the outstanding balance of unsettled accounts. This should include potential adjustment cases, accounts being recovered through installments, cases where recovery will be attempted from individuals no longer on the benefit rolls, and the length of time each overpayment has been outstanding. The Secretary of HHS should monitor SSA efforts to develop and implement a comprehensive program to obtain and use State and local data to compute benefits for all of its income maintenance programs. The Secretary of HHS should direct the Commissioner of SSA to change the computer program provision, so that termination will automatically occur on any account that is or drops below $200 until after three demand notices are issued. The Secretary of HHS should monitor SSA efforts to determine from other existing social security records the social security numbers for those dependent children missing their numbers, especially students, and record them in the payment records. The Secretary of HHS should direct the Commissioner of SSA to fully implement the nine recommendations not fully implemented. The Secretary of HHS should direct the Commissioner of SSA to compare the social security numbers of all dependent children currently receiving benefits to eliminate duplicate payments or to correct instances where different dependents have the same recorded social security number. The Secretary of State, in cooperation with the Secretary of HHS, should develop more stringent income criteria for judging the ability of a sponsor to support a visa applicant. The Secretary of HHS should direct the Commissioner of SSA to report to Congress the results of its review on obtaining aliens' overseas asset information from the Immigration and Naturalization Service and the future application of this mechanism for reducing aliens' eligibility for SSI benefits. The Secretary of HHS should direct the Commissioner of SSA to adopt a stronger and more active management role in recovering SSI overpayments by establishing standards for timely processing of SSI overpayments. The Secretary of HHS should direct the Commissioner of SSA to adopt a stronger and more active management role in recovering SSI overpayments by developing a quality control mechanism to assure performance in accordance with SSA overpayment policies and procedures. The Secretary of HHS should direct the Commissioner of SSA to adopt a stronger and more active management role in recovering SSI overpayments by developing an automated notice to inform recipients when they have been overpaid, the cause of the overpayment, proposed agency actions, and the recipient's appeal rights. The Secretary of HHS should seek legislation to authorize offsetting overpayments against title II and other Federal benefit-paying programs. The Secretary of HHS should direct the Commissioner of SSA to make a nationwide review to identify nursing homes failing to complete and return the reporting form when SSI recipients are admitted. The Secretary of HHS should determine whether other States have similar problems in stopping AFDC payments to ineligibles and, if so, help those States to correct them. The Secretary of HHS should direct that SSA help States establish an appropriate mechanism for monitoring and evaluating the adequacy and effectivenss of their recovery efforts and periodically review States' compliance with the requirements established in the regulations. The Secretary of HHS should disallow any claims for Federal participation in the advance AFDC payments program of New York and Oregon and initiate appropriate efforts to recover the Federal share of any of these advance payments. The Secretary of HHS should direct the Commissioner of SSA to adopt a stronger and more active management role in recovering SSI overpayments by developing, through use of the quality control mechanism, more useful and less subjective criteria to determine whether an overpaid recipient was with or without fault in causing the overpayments. The Secretary of HHS should direct the Administrator of Health Care Financing Administration to have States establish procedures requiring those nursing homes failing to complete and return the reporting form when SSI recipients are admitted to promptly report the admission of SSI recipients to the State Medicaid agencies, and require those agencies to promptly remit such information to SSA. The Secretary of HHS should direct the Commissioner of SSA to issue regulations establishing uniform requirements for States to return the Federal portion of AFDC checks not cashed and establish a mechanism for insuring that these credits are timely and accurate. The Secretary of HHS should revise the regulations to establish uniform and comprehensive overpayment recovery policies in the AFDC program for all types of overpayments, including requirements for States to (1) maintain information on the total number and amount of overpayments involved and their disposition and (2) establish a mechanism for assessing the effectiveness of their overpayments recovery efforts. The Secretaries of Education and HHS should require that the Social Security/Basic Grant computer matching procedure be revised to incorporate the second step of the GAO recommendations, as previously discussed.

Agency Comments/Action

SSA has not responded as to what action it plans to take to implement the GAO recommendations.

Appropriations

Supplemental Security Income and Aid to Families With Dependent Children Programs - Department of Health and Human Services, Social Security Administration

Appropriations Committee Issues

The Committees should retract the conference committee's directives for Federal fiscal sanctions against the States based on AFDC quality control error rates. The Committees should also determine to what extent SSA has taken appropriate action to implement the GAO recommendations.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Millions Can Be Saved by Identifying Supplemental Security Income Recipients Owning Too Many Assets (HRD-81-4, 2-4-81)

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604)
Legislative Authority: Social Security Amendments of 1972 (42 U.S.C. 1381 et seq.).

In fiscal year 1979, an estimated $125 million was overpaid to Supplemental Security Income (SSI) recipients who owned assets, such as bank accounts and real property, valued in excess of the limitations allowed for program eligibility. GAO assessed the adequacy of the Social Security Administration's (SSA) efforts to reduce problems causing these overpayments.

Findings/Conclusions: GAO found that an estimated $47 million was overpaid during fiscal year 1979 to bank account owners because claims representatives were unable to identify ownership when applicants and recipients responded incorrectly to bank account questions. SSA attempted to reduce the problem by implementing special verification procedures. However, the procedures used to identify bank account ownership to prevent or reduce overpayments have been only marginally successful. The current SSI interview questions and procedures do not provide enough emphasis on identifying real property ownership to combat the $20 million annual overpayment problem. SSA regional staffs have found that ownership can be better established by improved interviewing techniques, yet regional program officals have not adopted the suggested improvements. The current computerized information on resources owned by SSI applicants and recipients is sufficient for SSA to effectively manage and monitor changes in resource ownership and values for those presently on the payment rolls or to contact previously denied applicants who may now be eligible because of legislative and administrative changes to the resource criteria.

Recommendations: The Secretary of Health and Human Services (HHS) should direct the Commissioner of Social Security to incorporate into the proposed interview questionnaire form, now being developed, separate questions emphasizing real property ownership. The Secretary of HHS should direct the Commissioner of Social Security to incorporate a requirement into field office operating procedures that SSI applicants and recipients be informed that information they provide may be verified through third-party contacts. The Secretary of HHS should direct the Commissioner of Social Security to place more emphasis on real property ownership as a cause of overpayments during training for claims representatives. The Secretary of HHS should direct the Commissioner of Social Security to initiate steps to have SSI applicants and recipients sign tax information consent forms and provide the signed forms to IRS for purposes of obtaining Information Return Processing data needed to verify SSI income and resources records. The Secretary of HHS should direct the Commissioner of Social Security to assess the effect the resource disposition dollar limitations have on applicant eligibility. If the effect is significant, the Commissioner should prepare for HHS approval revised regulations which substantially raise or eliminate these limitations to ensure that SSI benefits are provided to those persons the program is intended to assist. The Secretary of HHS should direct the Commissioner of Social Security to develop and maintain detailed automated SSI applicant and recipient resource information that includes the types of resources owned and their dollar values. This information should be readily available to (1) claims representatives so that they can monitor changes in recipient resource ownership and values and (2) the appropriate headquarters component responsible for contacting previously denied applicants who may subsequently become eligible for SSI because of legislative and administrative changes to the resource criteria.

Agency Comments/Action

HHS agrees with the GAO recommendations and will take action to implement them.

Appropriations

Supplemental security income program - Department of Health and Human Services, Social Security Administration

Appropriations Committee Issues

The Committees should consider whether the action SSA has taken to resolve the problems is adequate.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Social Security Needs To Better Plan, Develop, and Implement Its Major ADP Systems Redesign Projects (HRD-81-47, 2-6-81)

Budget Function: Automatic Data Processing (1001)

The efforts by the Social Security Administration (SSA) to redesign its retirement, survivors, disability, and health insurance automated system was reviewed. This redesign represented a major multifaceted automatic data processing (ADP) system modification project undertaken to improve service to program beneficiaries.

Findings/Conclusions: Although substantial effort and resources were invested in this project, it was largely unsuccessful. Only one of the five major new features expected during the redesign was fully implemented successfully, and SSA suspended further efforts to complete the project as it was originally planned. GAO believes that inadequate planning and management of the redesign and deficiencies in the SSA systems modification process were primary reasons that the agency was unable to fully complete the redesign. Further, SSA systems modification efforts in general will not meet their objectives until these weaknesses are corrected. Specifically, SSA did not: (1) adequately involve key field office users in planning redesign changes to ensure that their needs would be met by the modified system; (2) adequately analyze costs and benefits of the redesign; and (3) provide for consistent management of the redesign.

Recommendations: The Secretary of Health and Human Services (HHS) should direct the Commissioner of Social Security to require periodic updating, including revision of priorities, of the existing inventory of user needs to make sure it is current and accurate and can serve as a reliable basis for future development of system modification proposals. The Secretary of HHS should direct the Commissioner of Social Security to require periodic updating and modification of initial cost/benefit analyses for all major systems proposals, maintenance of accurate records of costs incurred and benefits realized to facilitate this updating, and use of these data to periodically reevaluate the merit of proceeding with the system change. The Secretary of HHS should direct the Commissioner of Social Security to require provision for project leaders of major systems development/modification efforts to be assigned full time to managing such projects and conducting them apart from daily systems operations. The Secretary of HHS should direct the Commissioner of Social Security to require assessment of the independence maintained by systems validators from systems development staff to make sure that they have sufficient control over program and systems changes, especially seeing that formal validation procedures are followed. The Secretary of HHS should direct the Commissioner of Social Security to require participation by all users in establishing the functional requirements for proposed systems changes to ensure that these requirements can serve as the system performance criteria against which validation is conducted. The Secretary of HHS should direct the Inspector General to increase efforts to establish sufficient ADP audit capability within the Audit Agency so that reviews of the SSA system development/modification process and ADP systems audits can be carried out effectively at SSA. The Secretary of HHS should direct the Commissioner of Social Security to require revision of SSA interim validation guidelines to include more detailed procedures and standards covering test case selection and inclusion of invalid data for testing program controls, testing changes throughout the system, determining the degree of processing accuracy that must be attained before implementation may proceed, and allocation of sufficient staff time to validating systems changes. The Secretary of Health and Human Services should direct the Commissioner of Social Security to require quick finalization and implementation of detailed agency procedures for communicating with system users.

Agency Comments/Action

HHS concurred with all the recommendations. It believes that the 1979 reorganization of SSA, a major improvement in the system development and modification processes of SSA, has satisfied most of the GAO concerns. Additionally, HHS agreed to establish within its Audit Agency sufficient audit capability to effectively cover automatic data processing systems at SSA.

Appropriations

Department of Health and Human Services, Social Security Administration

Appropriations Committee Issues

The Committees should consider the extent to which SSA has implemented the GAO recommendations.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Better Accountability Needed at the Medical University of South Carolina
(AFMD-81-32, 2-27-81)

Budget Function: Health: Education and Training of Health Care Work Force (0558)

The Medical University of South Carolina is a State-supported university which also receives revenues from Federal grants and contracts. GAO investigated allegations concerning: (1) mismanagement of financial resources at the University; (2) limited action to correct known problems; and (3) limited Federal and State monitoring efforts.

Findings/Conclusions: Internal controls at the University are inadequate to ensure that Federal and State funds made available to the University are properly accounted for and used for the purposes intended. Detailed records for equipment purchased by the University under two federally funded projects could not show the location, need, or use of the equipment. As a result of inadequate criteria and policies for incurring entertainment expenses and accounting for such costs, it was difficult to determine the total amount spent on entertainment-related activities. Safeguards over controlled substances could not ensure that drugs are properly dispensed and recorded or that drugs returned to the pharmacy for disposal are properly accounted for. The University has not taken effective action to resolve these problems. In addition, State and Federal audits have been too limited to monitor the University's use of funds or to assure corrective action on previously identified problems.

Recommendations: The Secretary of Health and Human Services should determine whether recovery should be made for that portion of the equipment which (1) was purchased without Federal approval; (2) cannot be located; (3) is not being used; and (4) is being used outside the grant-supported area. The Secretary of Health and Human Services should direct that any further Federal funding be contingent upon a showing by the University that corrective action has been taken to ensure that internal controls are adequate to ensure proper accountability of those funds.

Agency Comments/Action

HHS auditors are still on site at the Medical University of South Carolina to determine the amount of money which should be reimbursed to the Federal Government for misuse or misallocation of Government property on funds for equipment, buildings, and expenses.

Appropriations

Health education grants to the Medical University of South Carolina at Charleston - Department of Health and Human Services

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Action Needed To Resolve Problem of Outstanding Supplemental Security Income Checks (HRD-81-58, 3-3-81)

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604)
Legislative Authority: Social Security Amendments of 1972 (42 U.S.C. 1381 et seq.). 31 U.S.C. 132.

Several proposals before the 96th Congress would have placed a time limit on the negotiation of Federal Government checks issued monthly to Supplemental Security Income (SSI) recipients. However, none of the proposals were enacted. Under present legislation, these and other Government checks are payable without time limitations. GAO conducted a review designed to quantify the number and amount of SSI checks not cashed, determine why they were not cashed, and identify actions to alleviate check-cashing problems.

Findings/Conclusions: The Social Security Administration (SSA) has done little to reduce the number of uncashed SSI checks or determine why this condition exists. The Department of the Treasury, in following up on a number of uncashed checks, determined that the status of checks not presented to it for reconciliation would have to be determined by SSA. By identifying these checks and checking their recipients, SSA could determine the status of these checks and identify some potential ineligible recipients and recipients who need check-cashing assistance. Such actions could also improve the accuracy of the Treasury's accounting records. While SSA has the authority to request lists of uncashed checks from the Treasury and to follow up and to take appropriate actions such as canceling checks, removing ineligible recipients from the rolls, or providing needed check-cashing assistance, it has not done so. The Treasury's suggested alternative to the legislative proposals that were before the 96th Congress would allow for appropriate credits to be made to SSA and States and would give SSA the information it needs to follow up on uncashed checks. However, this could cost SSA an estimated $9 million in additional administrative costs and would not automatically clear the checks from the Treasury's accounting records.

Recommendations: Congress should direct Treasury to give SSA information it needs to implement these recommendations. Congress should, upon receiving the Treasury cost data, determine which approach would be the most cost-effective method for managing and controlling these checks. The Secretary of the Treasury should provide computerized information requested by SSA on uncashed SSI checks. The Secretary of the Treasury should prepare and provide to Congress detailed information concerning the costs it would incur under both methods discussed in this report for handling uncashed SSI checks. The Secretary of HHS should direct the Commissioner of SSA to incorporate necessary changes into existing SSA check cancellation procedures to cover the additional requirements imposed by the recommendation above and ensure that its field personnel are aware of them. The Secretary of the Department of Health and Human Services should direct the Commissioner of SSA to periodically request lists of uncashed SSI checks from the Treasury and use the lists to identify and request the Treasury to cancel checks that should be canceled, including those issued to recipients now deceased, and to identify ineligible recipients or those that need assistance in cashing checks.

Agency Comments/Action

SSA agreed with the GAO recommendations and plans to take action.

Appropriations

Supplemental security finance program - Department of Health and Human Services, Social Security Administration

Appropriations Committee Issues

The Committees should determine to what extent Treasury is cooperating with SSA in implementing the GAO recommendations.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Keeping the Railroad Retirement Program on Track--Government and Railroads Should Clarify Roles and Responsibilities

(HRD-81-27, 3-9-81)

Budget Function: Income Security: General Retirement and Disability Insurance (0601)
Legislative Authority: Railroad Retirement Act of 1974. Social Security Act. H.R. 7045 (96th Cong.). H. Rept. 93-1345. S. Rept. 93-1163.

The railroad retirement program is the only federally administered pension plan for a private industry. Funds to finance the program consist of taxes paid by railroad workers and employers, transfers from social security trust funds, and general revenue appropriations from the Federal Government. A review was performed of the Federal role in providing financial assistance to the program and the alternatives available for funding and administering the program.

Findings/Conclusions: The railroad retirement program has been inadequately funded, and beneficiaries may receive no benefits or may receive less than their social security equivalent benefits as early as 1982. A primary reason for the overall inadequate funding is that funds from railroad employers and the Federal Government for other benefits have not been adequate to cover the benefits paid. In addition, commingling all of the funds in one account blurs the accountability of each funding source for providing what is needed. Establishing a separate account for social security equivalent benefits would help ensure that beneficiaries will at least receive the equivalent of social security benefits. Because the Railroad Retirement Board uses its own eligibility requirements, railroad workers' remarried widows and divorced spouses do not receive full social security equivalent benefits under the program. Also, the estimated annual cost for funding windfall benefits for the program has doubled from the original estimate in 1974.

Recommendations: Congress should consider, as part of its evaluation of the financial condition of both funds, the merits of a more current interchange transfer. Congress should reevaluate the issue of how to finance windfall benefits and that, as part of an such evaluation, decide to what extent the Federal Government should fund windfall costs. Congress should pass legislation, if it is its intent that all persons who would have been covered under social security, except for the railroad retirement program, receive full social security equivalent under railroad retirement, revising the railroad retirement eligibility criteria and benefit structure to ensure payment of such benefits. Congress should enact legislation to (1) establish a separate account for social security equivalent benefits and require that funds from social security transfers and employers' and employees' payroll taxes for social security equivalent benefits be placed in the account and be used only to pay the social security equivalent benefits; and (2) require that railroad employers and employees pay taxes for the social security equivalent benefits based on annual rather than monthly taxable earnings as do employers and employees under social security.

Agency Comments/Action

As parts of the Omnibus Budget Reconciliation Act and the Economic Recovery Tax Act of 1981, Congress passed amendments to the Railroad Retirement Act which dealt with the Railroad Retirement Board's financial problems. These amendments create new bases for benefit computations, establish a dual benefit payment account from which all windfall benefits must be paid, create new categories of beneficiaries, and increase tax contributions for railroad employers and employees. Congress also gave the Board the only authority to borrow from the general revenue funds when the balance in the Railroad Retirement Account is insufficient to pay benefits for any month.

Appropriations

Railroad retirement program - Railroad Retirement Board

Appropriations Committee Issues

In view of certain amendments which affect the payment of windfall benefits, the Committees should decide whether continued appropriations for windfall benefits are appropriate. If the appropriations are continued, the Committees should decide how much of the windfall costs the Government wants to finance.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Revising Social Security Benefit Formula Which Favors Short-Term Workers Could Save Billions (HRD-81-53, 4-14-81)

Budget Function: Income Security: General Retirement and Disability Insurance (0601)
Legislative Authority: Social Security Act Amendments of 1977.

Short-term workers have contributed a relatively small amount of social security tax because they have had little work in covered employment. However, they receive a higher return on their contribution than the average wage earner because of the benefit formula used to attain the program's social adequacy objectives. This advantage is created by spreading the worker's covered earnings over a lifetime and applying the resulting artificially low average wage to a benefit formula that is favorable for low wage earners. Stopping the short-term worker advantage could save as much as $15 billion over the next decade and end windfall social security benefits to retired Government workers who also receive a pension from their noncovered employment.

Findings/Conclusions: Because a social adequacy benefit seems inappropriate for the average or high wage earner and, in view of the concern about the financial stability of the social security program, Congress should consider revising the social security benefit formula to remove the advantage that it provides the short-term worker. GAO identified two methods of removing the short-term worker advantage: (1) the continuation factor approach would allow full benefits only to people who have worked a lifetime in covered employment by adding a step to the benefit computation process which applies a factor based on the portion of a person's life spent in covered employment to the computed benefit amount; and (2) the bend point method would limit the amount of each year's earnings that may be applied against the highest rate of the benefit formula.

Recommendations: Congress should consider revising the social security benefit formula to remove the advantage that it provides to the short-term worker.

Appropriations

Social Security retirement - Department of Health and Human Services, Social Security Administration

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Income Maintenance Experiments: Need To Summarize Results and Communicate the Lessons Learned (HRD-81-46, 4-17-81)

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604)

To overcome the expressed fears of congressional opponents and others that many able-bodied persons would quit, reduce, or not work in order to take full advantage of the universal guaranteed income plan, the Office of Economic Opportunity (OEO) decided to experiment. OEO conducted a New Jersey experiment and later a rural experiment. The Department of Health and Human Services (HHS) undertook two other experiments. GAO reviewed various aspects of the four income maintenance experiments and focused on: (1) the need for the experiments; (2) the general design adequacy; (3) the planning, management, and results dissemination; (4) the timeliness and completeness in disclosing family dissolution results; (5) the soundness of major results; (6) the influence on policy and existing programs; and (7) the need for further experimentation. GAO reviewed the available literature and interviewed former and current OEO and HHS officials as well as economists and sociologists directly knowledgeable about the experiments and the use of their results. GAO did not review the specific experiment methodologies, the technical validity of each finding, or all possible experiment aspects and ramifications. The four experiments cost about $110 million in benefit payments and administrative, data collection, and research costs. Over half of the participating families had guaranteed incomes and were not required to work or given special job opportunities. For those who worked, the income guarantee was reduced by some percentage of their earnings.

Findings/Conclusions: The income maintenance experiments represent an important contribution to the social research field. The experiments demonstrated the feasibility of the experimental approach, gathered voluminous data, identified better ways to administer existing programs, and developed valuable experience about the conduct of social experiments. Many important technical and operational lessons were learned. Such experiments enable judgments about programs before significant funds have been committed, unintended social and economic consequences have resulted, and millions of lives have been affected. Although the experiments were costly, the programs tested had potential multibillion dollar price tags. Certain sampling improvements might have enhanced the experiments' results. The experiments had definite inherent limits which could affect results in indeterminable ways. There were certain weaknesses in OEO and HHS management of the experiments. There was no comprehensive plan for coordinating the four experiments and little evidence that likely end-users were systematically consulted or otherwise formally involved in the various planning stages. There were no formal agency procedures to be used by agency personnel for technical monitoring of the projects or systems for disseminating the interim and final experiment results. HHS was tardy and incomplete in disclosing the findings of family dissolution results. The experiments demonstrated the advantages of certain client reporting and payment determination techniques.

Recommendations: Congress, in authorizing future social research such as the experiments, should require Federal agencies to (1) prepare plans identifying end-users, user needs, and expected results; (2) set forth project monitoring and coordinating procedures, criteria, and standards by which to assess project progress and results; and (3) detail procedures for disseminating interim and final results to users and summarizing both technical results and operational lessons learned from the proposed projects. The Secretary of HHS should summarize the four experiments' results in layman's terms and distribute them to all interested and affected Federal legislators and executive branch program managers. The lessons learned about the conduct of experiments should be summarized and shared with such agencies as the Departments of Labor, Housing and Urban Development, Agriculture, and others planning or likely to conduct related research projects.

Agency Comments/Action

HHS commented that it found the report particularly thoughtful, well researched and sensitive to the basic intellectual issues underlying the experiments. HHS commended GAO on its general recognition of the need for the experiments, its role in the policy debate, and the general soundness in the design and analysis. HHS recognized certain weaknesses that the report points out which occurred during the course of the experiments. HHS was in general agreement with the findings with respect to the disclosure of the marital stability results, but disagreed with the relative emphasis placed on the reasons governing those events. Finally, HHS concurred with both of the GAO recommendations and is already taking steps to insure widespread dissemination of the findings contained in the report.

Appropriations

Welfare income maintenance experiment - Department of Health and Human Services

DEPARTMENT OF HEALTH AND HUMAN SERVICES

HHS Moves To Improve Accuracy of AFDC Administrative Cost Allocation: Increased Oversight Needed (HRD-81-51, 5-18-81)

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604)
Legislative Authority: Social Security Act. P.L. 96-226. Federal Management Circular 74-4.

The Department of Health and Human Services (HHS) is responsible for assuring that State cost-allocation plans, upon which Federal financial participation in administrative costs for the Aid to Families with Dependent Children (AFDC) program are based, accurately reflect the Federal reimbursable share of costs.

Findings/Conclusions: The principal oversight agencies of HHS are not adequately reviewing, analyzing, and questioning data in State cost-allocation plans either before or after their approval. A GAO review of administrative costs in four States indicated that the Federal Government may be incurring unnecessary charges which, in two of these States, could amount to $6.6 million annually. Overcharges are occurring because HHS has not provided its oversight agencies with adequate review guidance, a clear definition of their respective roles for reviewing cost-allocation plan implementation, and sufficient staff to accomplish their work effectively. Erroneous reimbursement claims have been a longstanding problem. HHS has not required a uniform method of accumulating and allocating States' costs and has approved some methods which cannot assure that administrative cost expenditures in a given program are as directly proportional to the administrative support received as possible. The varying methods of cost allocation also preclude HHS from making meaningful comparisons of administrative cost expenditures among States. HHS has not developed guidelines for distributing costs in welfare cost-allocation plans and does not require States to distribute administrative costs on any standardized basis. States are allowed considerable latitude in developing cost accumulation and allocation methodology. By developing a welfare cost allocation guide, some corrective action is underway.

Recommendations: The Secretary of HHS should define the specific cost-allocation plan review and monitoring responsibilities of the Division of Cost Allocation (DCA) and the Office of Family Assistance (OFA). The Secretary of HHS should develop adequate guidelines for DCA and OFA to use in future cost-allocation plan review efforts. The Secretary of HHS should instruct DCA and OFA to follow up on the GAO findings to assure that appropriate recovery of Federal funds occurs. The Secretary of HHS should issue guidelines establishing a system of uniform cost principles, procedures, and methodology for all welfare cost-allocation plans. The Secretary of HHS should evaluate existing staffing and workload levels to assure that both DCA and OFA have enough technical capacity and staff to effectively review, approve, and monitor the implementation of cost-allocation plans and quarterly claims for reimbursement. The Secretary of HHS should instruct DCA and OFA to conduct comprehensive reviews of State cost-allocation plans to identify areas in which the Federal Government may be bearing more than its fair share of AFDC administrative costs.

Agency Comments/Action

HHS generally agreed with GAO and stated that it is planning to take a number of steps to implement the recommendations.

Appropriations

Aid to Families With Dependent Children - Department of Health and Human Services, Social Security Administration

Appropriations Committee Issues

The Committees should determine whether or not HHS has taken appropriate follow-up action to recover Federal funds.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Health Service Program Needs Assessments Found Inadequate (HRD-81-63, 6-15-81)

Budget Function: Health (0550)
Legislative Authority: Alcohol Abuse Act of 1970. Alcoholism Prevention, Treatment, and Rehabilitation Act of 1970. Public Health Service Act. Drug Abuse Office and Treatment Act of 1972 (P.L. 92-255). P.L. 91-616.

The Department of Health and Human Services (HHS) has initiated and supported grant programs aimed at increasing primary health care capacity in medically underserved areas (MUA), preventing and treating substance abuse, and providing services to deal with mental illness. Each of these programs requires that an assessment of the need for the proposed services be made. GAO reviewed the needs assessment processes used to justify funding grantees under the rural and urban health initiatives and several other health programs administered by HHS.

Findings/Conclusions: The MUA designation criteria HHS used to establish grantee funding eligibility were developed as a rough indicator of the adequacy of medical service in an area and had several weaknesses. Despite these weaknesses, HHS applied the criteria, without change, as the specific measure of medical underservice for rural and urban community health center programs. The review of needs assessment preparation and evaluation shows that: (1) HHS had provided little guidance on how grant applicants should meet the legislative requirement of performing a needs assessment; (2) many grantees have approached fulfilling the requirement in a manner which seems to minimize the apparent need for a health center without adequate regard for the validity of data used and opposing views that raise fundamental questions about need; and (3) HHS grant application reviews are inadequate, and HHS seems to rely heavily on the MUA designation of the proposed service area, which was intended only to be a rough indicator of the adequacy of medical service in an area. GAO recognizes that many areas of the Nation have problems with the availability of and access to health services. However, in the opinion of GAO, the need determination mechanisms for the community health center programs, as presently structured and operated, provide little assurance that MUA's have been appropriately identified and are not an adequate basis for establishing specific urban and rural health centers.

Recommendations: Congress should incorporate a requirement in the community health center legislation that grant applicants be required to perform a demand analysis in conjunction with a needs assessment. The Secretary of HHS should establish mechanisms for verifying the information contained in all grant applications. The Secretary of HHS should clearly define what constitutes need or eligibility for purposes of Federal funding. The Secretary of HHS should develop a definition of "medical underservice" specifically for the rural and urban community health center program. The Secretary of HHS should give HHS reviewers direction on how need and demand information should be used in the grant review process. The Secretary of HHS should establish a specific timetable for updating future MUA lists that would consider current data as they become available. The Secretary of HHS should reevaluate the eligibility of existing grantees in light of the these recommendations and phase out those that cannot meet the revised requirements. The Secretary of HHS should revise the grant application review and approval procedures to ensure that future applications comply with all legislative and program requirements. The Secretary of HHS should update the MUA list and, to the extent practical, consider the other weaknesses discussed in this report relating to the MUA criteria, recognizing they should be used only as a rough indicator of the adequacy of medical service in an area. The Secretary of HHS should develop rough need indicators, similar to the MUA concept, which would serve as screens to identify geographic areas that would be candidates for Federal funding under the various health service programs. The Secretary of HHS should develop and provide to prospective grantees guidance on how to perform and what should be included in needs and demand assessments for the program. As a minimum, the guidance should require that (1) rational service areas be established; (2) all health care services in the proposed target area and in contiguous areas be addressed in terms of availability and accessibility; (3) asserted health care problems be documented, and (4) opposition views be addressed in grant applications. The Secretary of HHS should develop needs assessment guidance for the use of grant applicants that would address the need for services as well as a realistic analysis of the potential demand for services. As was recommended for the community health center program, such guidance should require that (1) rational service areas be established, (2) health care services in the proposed target areas and in contiguous areas be addressed in terms of availability and accessibility, (3) asserted health care problems be documented, and (4) opposition views be addressed in grant applications. The Secretary of HHS should use the MUA designation process only as a rough indicator of the adequacy of medical service for determining areas of the Nation warranting more detailed assessment of need for purposes of Federal funding.

Agency Comments/Action

Although HHS concurred with the recommendation to use the MUA designation process only as a rough indicator of need, there was disagreement about the observation that the MUA list was being used only as a general indicator of medical underservice. Officials responsible for reviewing and approving grant applications in each of the four regions in the review said they relied on the MUA designation to support the need for a center. This essentially represented using the MUA as a specific measure of need instead of a rough indicator of the adequacy of medical service in an area. HHS also agreed with the recommendation to update the MUA list and recognized other weaknesses relating to the MUA criteria. HHS, however, did not concur with the recommendation to develop a definition of "medical underservice" specifically for the community health center program. It believed that section 330 of the Public Health Service Act adequately defined need and that the MUA process and project specific needs assessments, if used together, were an adequate index for funding decisions. HHS agreed with the recommendation that it develop and provide guidance to prospective grantees on performing needs assessments. However, HHS disagreed with the part of the recommendation dealing with demand analyses. HHS said that no suitable or valid method for analyzing demand for primary care in poor areas has been found, such analyses are complex and costly, and Congress intended that community health centers address the need rather than the demand for health services. Additionally, HHS concurred with the recommendation that it reevaluate the eligibility of existing grantees. The HHS approach to this is generally responsive to the recommendation. HHS concurred with the recommendation that it revise grant application review and approval procedures to ensure that future applications comply with all legislative and program requirements. With regard to the alcohol, drug abuse and mental health programs, Congress incorporated these into a block grant to be administered by the States. This essentially dominated the need for departmental action on the recommendations directed at these programs.

Appropriations

Department of Health and Human Services, Bureau of Community Health Services

Department of Health and Human Services, Health Services Administration

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Head Start: An Effective Program but the Fund Distribution Formula Needs Revision and Management Controls Need Improvement

(HRD-81-83, 7-23-81)

Budget Function: Education, Training, Employment and Social Services: Social Services (0506)
Legislative Authority: Economic Opportunity Act of 1964 (42 U.S.C. 2781). Community Services Act of 1974 (P.L. 93-644). Economic Opportunity Amendments of 1978 (P.L. 95-568). P.L. 96-226. H. Rept. 95-1151. H. Rept. 95-892. H. Rept. 95-381. S. Rept. 95-1766.

GAO reviewed the management and administration of the Head Start program because Congress has shown considerable interest in early childhood and family development. The objective of the review was to determine whether this program, which has progressed over the years from a demonstration project to an ongoing service program, is being effectively managed and administered by the Department of Health and Human Services.

Findings/Conclusions: Since fiscal year 1977, Head Start funds have been redistributed among States in accordance with congressional intent by using the distribution formula mandated by 1978 legislation. However, the increased Head Start enrollments envisioned by Congress and provided for by the 1978 amendments have not been sustained. Operating cost increases provided to States have varied. Both Congress and the Administration have emphasized the importance of maintaining high quality in local Head Start programs; however, program quality is being threatened by a trend among many grantees to reduce services to children and families because of escalating operating costs and insufficient funding. Although these service reductions appear to be widespread through the program, not all grantees are finding it necessary to reduce program services, indicating that some grantees may not need increased levels of funding while others do if service reductions are to be avoided. Although the Administration for Children, Youth, and Families (ACYF) regional offices use the Federal average cost per child as one basis in determining the amount of Federal funding to be allocated to grantees within the States, as it is presently calculated, average cost per child should not be used in the funding decision process. Since 1972, the responsibilities and administrative workloads of Head Start staff have increased dramatically. However, staffing levels and funding for salaries and expenses have not kept pace.

Recommendations: Congress should consider modifying the funding distribution formula to assure that sufficient operating cost increases are provided to all States so that grantees can maintain their enrollment and service levels before any funds are provided for expansion of enrollments. In addition, Congress should consider placing a moratorium on further expansion of Head Start, until sufficient funding is available to expand enrollment and to provide adequate cost-of-living increases to all States. The Secretary of HHS should direct the Commissioner of ACYF to (1) work with the HHS Audit Agency on developing and issuing additional guidance to independent auditors requiring the submission of balance sheets and operating statements showing more detail on expenses; (2) work with the HHS Audit Agency and the Office of Human Development Services (OHDS) Grants and Contracts Management Division to eliminate the requirements of independent audit work which duplicates functions performed by ACYF monitoring teams; and (3) direct the regional office community representatives to validate grantees' program information reports before entering the data into the performance indicator system. The Secretary of HHS should direct the Commissioner of ACYF to gather and analyze data on the average cost per child and average cost per child contact hour in order to assist ACYF regional offices to make the most equitable distribution of Federal funds to grantees within their regions. In addition, the Secretary should (1) direct the Commissioner of ACYF to initiate an effort to gather information from grantees on reductions in Head Start services to children and their families to ascertain the extent of service reductions nationwide; and (2) inform the appropriate authorizing and appropriating committees of the extent of service reductions in the Head Start program. The Secretary of HHS should (1) direct the Commissioner of ACYF to develop and implement an overall planning system for Head Start covering all program components and major functions; and (2) assure that sufficient resources are available to operate the system. In addition, the Secretary should require that Head Start forward planning cover a period not less than the period of program reauthorization approved by Congress. The Secretary of HHS should direct the Commissioner of ACYF to develop and implement a management information system for Head Start. The Secretary of HHS should direct the Commissioner of ACYF to: (1) review the training planned for community representatives to see that it is designed to produce consistency in interpreting program requirements and grantee monitoring; (2) determine what, if any, additional funding is needed by grantees to bring their programs into full compliance with performance standards and administrative requirements; (3) assure that adequate resources are made available to regional offices so that followup of monitoring efforts can be achieved; (4) issue a manual to grantees including models of administrative forms, records, and procedures; and (5) work with regional office auditors and OHDS grants management officers to improve the timeliness and expedite the regional offices' review of independent auditors' reports. The Secretary of HHS should direct the Assistant Secretary for OHDS to determine the staffing and administrative requirements needed for the Head Start program and, if the Assistant Secretary finds that the Head Start program does not have the resources it needs and if resources can be made available, the Secretary should furnish the staff and other resources necessary for the program to carry out its responsibilities.

Agency Comments/Action

Sixty-day comments had not been received as of September 30, 1981.

Appropriations

Head Start program - Department of Health and Human Services, Office of Human Development Services

Appropriations Committee Issues

The Committees should monitor the progress made by HHS to implement the GAO recommendations.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

ADMINISTRATION FOR CHILDREN, YOUTH AND FAMILIES

Increased Federal Efforts Needed To Better Identify, Treat, and Prevent Child Abuse and Neglect (HRD-80-66, 4-29-80)

Budget Function: Education, Training, Employment and Social Services: Social Services (0506)
Legislative Authority: Child Abuse Protection and Treatment Act (P.L. 93-247). Older Americans Act of 1965. Rehabilitation Act of 1973. Social Security Act. H. Rept. 93-685. Moore v. Sims, 47 U.S.L.W. 4693 (1979).

Because of congressional and public concern about child abuse and neglect, GAO undertook a review of the problems States and localities are having in identifying, treating, and preventing child abuse and neglect. The National Center on Child Abuse and Neglect, established within the Department of Health, Education, and Welfare (HEW), is the focal point for Federal efforts to deal with child abuse and neglect. In the review, GAO evaluated the progress and problems of selected States and localities using as criteria the Center's recommended programs. However, the number of reported cases of abuse and neglect continues to rise. According to HEW, reports have risen over 100 percent in the last 4 years. But it is generally recognized that the actual number of cases is much larger than reported.

Findings/Conclusions: The Center estimates that each year 1 million children are abused or neglected and that 2,000 children die from injuries or conditions resulting from abuse and neglect. Moreover, GAO found that although States and localities have made progress in reporting, investigating, treating, and preventing child abuse, the States and localities do not have the capabilities to adequately provide treatment for abused and neglected children and their families. Also, the Center, which is responsible for helping States and localities develop prevention programs by identifying effective programs and approaches and by implementing, expanding, and improving such programs, has not provided adequate leadership and assistance to the States. Before 1978, the Center gave priority to identification, reporting, and treatment. But, the Center has not yet established criteria for assessing the effectiveness of prevention programs. This can in part be a result of the lack of support for the Center by HEW. Although responsibilities have increased, the Center's staff has remained about the same size since 1976, and in 1978 HEW withheld about $469,000 of the Center's research funds and transferred the money to a separate cross-cutting research program to fund projects with broader goals than child abuse and neglect.

Recommendations: The Secretary of HEW should require the National Center on Child Abuse and Neglect to: (1) help States assess how many professionals are and are not reporting child abuse cases; (2) identify problems that hinder professionals from reporting and attempt to resolve them; (3) encourage organizations of professionals required to make child abuse reports to emphasize their importance, (4) help clarify who is responsible for training and educating professionals to recognize and report abuse and neglect; (5) help resolve disagreements about whether State, local, or community organizations should develop standards and definitions of abuse and neglect; (6) encourage the use of definitions and standards for community education and decisions about abuse and neglect; (7) emphasize the need for investigating all reports within 24 hours and encourage States and localities to make this a requirement in their policies and procedures; (8) encourage State and local agencies to increase their minimum qualifications for child protective services investigative staff; (9) identify ways protective services units can increase their staffs or otherwise deal with excessive caseloads; (10) emphasize to the States the importance of contributions that multidisciplinary case consultation teams can make in dealing with abuse and neglect cases and the importance of developing and using written treatment plans, central registers for case management, and sufficient legal assistance for protective services staff; (11) better coordinate Federal programs and resources; (12) identify approaches and programs showing promise of success; (13) develop information on the progress of States and localities in addressing abuse and neglect; (14) resolve any problems regarding duplication of programs or problems that otherwise restrict effective coordination; (15) assist the States in obtaining additional treatment services and identifying ways to increase staff and qualifications; and (16) reassess the Center's position on the need to follow up on closed cases. Finally, if HEW finds that the Center does not have the resources it needs, HEW should consider furnishing the Center the necessary staff and resources to carry out its responsibilities.

Agency Comments/Action

A follow-up report (HRD-81-153) was issued on September 18, 1981. The follow-up stated that the Department of Health and Human Services has implemented 8 of the recommendations, 15 are in the process of being implemented, and 8 have not been implemented.

Appropriations

Department of Health and Human Services, Office of Human Development Services

Appropriations Committee Issues

Because child abuse and neglect is such a serious national problem, Congress should be concerned about the effectiveness of the National Center on Child Abuse and Neglect in helping States develop programs to combat the problem.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

ADMINISTRATION ON DEVELOPMENTAL DISABILITIES

How Federal Developmental Disabilities Programs Are Working (HRD-80-43, 2-20-80)

Budget Function: Education, Training, Employment and Social Services: Social Services (0506)
Legislative Authority: Developmentally Disabled Assistance and Bill of Rights Act (P.L. 94-103). P.L. 95-602. P.L. 88-164. P.L. 91-517.

GAO was requested to make a comprehensive examination of the overall administration and operation of four developmental disability programs: (1) State Formula Grant, (2) State Protection and Advocacy, (3) Special Projects, and (4) University-Affiliated Facilities. These programs were designed to improve and coordinate services to the developmentally disabled and to protect their rights. The two million developmentally disabled have disabilities originating before the age of 18 which constitute a substantial handicap to their ability to function normally in society and are expected to continue indefinitely. Mental retardation, cerebral palsy, epilepsy, autism, and severe dyslexia are the conditions generally accepted as constituting a developmental disability.

Findings/Conclusions: All the programs have funded projects and activities to help the developmentally disabled. However, the Department of Health, Education, and Welfare (HEW) has not developed criteria or standards to measure program performance or made any in depth reviews of the programs' overall impact on the conditions of the persons they were meant to serve. The State Formula Grant Program had problems so fundamental and pervasive that major improvements are needed. Designated State agencies for the State Protection and Advocacy Program have legal authority to push for actions and obtain needed services. While it enabled the disabled to go outside established service delivery systems and assure their rights are protected, the program had problems and lacked funds. The Special Projects Program was not unique. Many of its projects were similar to projects funded under the Formula Grant Program. Regional projects were narrow in scope, not designed for widespread application or reapplication, and were providing conventional services instead of developing unique or innovative techniques for service delivery. Program funds were often used to continue projects started under non-developmental disability programs. The principal problems with the University-Affiliated Program were that it is funded from numerous sources with no fixed pattern, had vague mission statements, and had varying and incompatible guidelines. All four programs need closer monitoring and more specific direction from HEW if they are to be effective, viable forces in improving conditions of the developmentally disabled.

Recommendations: The Secretary of HEW should direct the Commissioner of the Rehabilitation Services Administration (RSA) to: develop uniform standards to help program administrators, State Councils, and others evaluate program performance; formulate standards to measure the performance of State Councils; encourage States to establish more effective and accountable grant review mechanisms; provide States with more specific guidance for reporting program expenditures; assure that the States develop and use appropriate monitoring and evaluation tools to assess their programs; and increase HEW regional monitoring and evaluation efforts. To improve the State Protection and Advocacy Program the Secretary should direct the Commissioner of RSA to: formulate specific regulations and guidelines; assist States in accessing other funds for their programs; require the States to establish a mechanism for coordinating the advocacy activities of this program with the Formula Grant Program; and establish standards to measure program performance. The Secretary should also improve the Special Projects Program by requiring the Commissioner of RSA to: review all projects currently being funded under this program and discontinue support to those which are not, or do not hold promise of fulfilling legislative objectives; fully inform Congress on how program funds are spent and what has been accomplished; strengthen grant review procedures; increase program monitoring and evaluation, including site visits to projects; and establish a system to follow up on project accomplishments and dissemination of project results. Further, the Secretary of HEW should assure that the Commissioner of RSA establishes goals, objectives, and performance standards for the University-Affiliated Facilities Program supported with developmental disabilities funds and periodically evaluate supported facilities. Because of the intrinsic and pervasive nature of many of the problems with this program, Congress should clearly delineate what it wants the program to accomplish.

Agency Comments/Action

The Secretary of Health and Human Services concurred with all of the GAO recommendations and stated what specific actions have been taken or are underway in alleviating the problems and deficiencies identified.

Appropriations

Department of Health and Human Services, Office of Human Development Services

Appropriations Committee Issues

Although the most current legislation, P.L. 95-602, may alleviate some of the controversy and confusion as to whether the State Formula Grant Program should be directed toward planning or services, Congress should consider further clarifying the legislation in regard to program intent.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

BUREAU OF HEALTH PLANNING

Health Systems Plans: A Poor Framework for Promoting Health Care Improvements (HRD-81-93, 6-22-81)

Budget Function: Health: Health Planning and Construction (0554)
Legislative Authority: Health Planning and Resources Development Act of 1974. Social Security Act.

The National Health Planning and Resources Development Act established health systems agencies (HSA) with responsibility for planning health services within a particular geographic area. The Act also established State health planning and development agencies and statewide health coordinating councils to deal with health care needs from the perspective of the entire State. The adequacy of health systems plans developed by HSA were reviewed and actions were recommended that the Department of Health and Human Services (HHS) should take to improve the plans.

Findings/Conclusions: A high priority of each HSA is to develop a health systems plan, a document describing what needs to be done to improve the health care system and the health status of area residents. The plan is fundamental for accomplishing the HSA objective. Despite substantial resources and community effort, GAO found that: (1) health systems plans were inadequately developed; (2) objectives lacked measurability; (3) objectives were not limited to priority goals; (4) many more objectives were established than could be accomplished within a reasonable timeframe; (5) objectives were questionable because they concerned further planning or were unattainable or unrealistic in what they sought to achieve through local community resources; (6) recommended actions for accomplishing objectives were nonexistent or poorly developed; and (7) resource requirements for implementing each recommended action were unspecified or inadequate. The failure of HSA's to follow HHS guidance and insufficient HHS involvement with HSA's during plan development contributed to the inadequacy of the plans. GAO also found that statewide roles for HSA's vary widely and that the impact of the program is difficult to assess. This means that it may be impossible to produce clear and dramatic evidence concerning the effectiveness of health planning organizations.

Recommendations: Congress should amend the National Health Planning and Resources Development Act to allow the health planning organizations in States with statewide HSA's to jointly develop one health plan for the State. The Secretary of HHS should actively work with HSA's during the development of future health systems plans to ensure that future plans do not contain the deficiencies currently existing. The Secretary of HHS should require HSA's to actively pursue the implementation of health systems plans and annual implementation plans after plans are determined to be consistent with HHS guidance. The Secretary of HHS should require HSA's to revise inadequate plans so that such plans: (1) concentrate on a few significant objectives that can be achieved in a reasonable timeframe, (2) specify a strategy for and organizations for accomplishing the objectives, and (3) identify the resources needed to carry out the objectives. The Secretary of HHS should issue regulations and guidelines concerning the implementation of the health planning program in statewide HSA's that would include requiring written agreements between the statewide HSA and the State agency which set forth their respective roles in carrying out the joint planning process. The Secretary of HHS should assess the adequacy of the latest health systems plan at each HSA.

Agency Comment/Actions

HHS agreed with the GAO recommendations to assess the latest plans and to require revision of inadequate plans but did not agree that it should actively work with HSA's in developing future plans. HHS maintained that Congress clearly intended that the plans reflect local choices made through an open process that considers national priorities. GAO agrees but continues to believe that involvement by HHS with HSA's during plan development would ensure that plans do not suffer from the current deficiencies and that such involvement need not preclude the plans from local needs and choices. HHS concurred in the importance of stressing the need for plan implementation but disagreed that implementation should be deferred until plans are improved. GAO believes implementation of inadequate plans could result in HSA's expending valuable time and resources in addressing objectives that may not be of a high priority, and HSA's should therefore defer implementation activities until their plans are improved. HHS agreed with the intent of the GAO recommendations regarding clarifying the roles of statewide HSA's and State agencies but added that it may be inappropriate to issue new Federal regulations until Congress acts on the President's proposal to phase out the health planning program. GAO does not disagree but continues to believe the recommendation is appropriate if the program continues under the same or a similar structure.

Appropriations

Department of Health and Human Services, Bureau of Health Planning

DEPARTMENT OF HEALTH AND HUMAN SERVICES

CENTER FOR DISEASE CONTROL

Discussion of Selected Issues Affecting Federal Immunization Activities (HRD-80-52, 6-6-80)

Budget Function: Health: Prevention and Control of Health Problems (0553)
Legislative Authority: Poliomyelitis Vaccination Assistance Act of 1955 (P.L. 84-377). Public Health Service Act (42 U.S.C. 247b). P.L. 95-355. P.L. 95-482. P.L. 96-38. 42 U.S.C. 263.

The Department of Health, Education, and Welfare's (HEW) immunization programs were reviewed. Specifically addressed were the HEW childhood disease and flu immunization programs' effectiveness, liability, adverse vaccine reactions, and vaccine supply.

Findings/Conclusions: The Center for Disease Control (CDC), the Food and Drug Administration's Bureau of Biologics, and the National Institutes of Health's National Institute of Allergy and Infectious Diseases are primarily responsible for the HEW immunization programs. To date, three flu immunization programs have been conducted. These included the swine flu program during the 1976-77 flu season and two smaller programs during the 1978-79 and 1979-80 flu seasons. In reviewing these programs, GAO found that: (1) HEW statistics show that Federal immunization activities have had a significant influence in reducing childhood disease levels; (2) a comprehensive policy that stipulates the circumstances under which the Federal Government will assume liability for public immunization programs does not yet exist; (3) in several instances pertinent data were excluded from vaccine information forms and recommended administrative procedures were not followed; (4) current adverse reaction monitoring systems have limited value in showing the risks associated with vaccination; and (5) current vaccine supplies seem adequate and manufacturers contend that they will continue providing vaccine.

Recommendations: The Secretary of HEW should: (1) direct the Director of CDC to undertake studies to test the reliability of disease reporting and to measure the variability and extent of non-Federal immunization resources; (2) establish policies and procedures to improve future immunization program coordination; (3) direct the Director of CDC to develop methods to help standardize varying State mandatory immunization laws and to help improve their enforcement; (4) request whatever Federal funding is needed to attain and maintain desired immunization goals for all childhood diseases; (5) expedite data gathering to determine the potential costs and other effects of the proposed liability alternatives; (6) establish a systematic procedure to obtain, consider, and act on comments on "Important Information Statement" content from interested experts within and outside HEW and the Federal Government; (7) direct the Director of CDC and the Commissioner of the Food and Drug Administration to measure the reliability of existing vaccine reaction monitoring systems and to determine the feasibility of improving the reliability of existing systems; and (8) place the authority and responsibility for reaction data collection and dissemination with one agency or clearly divide and coordinate the responsibility.

Agency Comments/Action

In general, the agency agreed with the report.

Appropriations

Preventive health - Department of Health and Human Services, Center for Disease Control

Appropriations Committee Issues

Prior to appropriating funds for immunization activities, the Committees need to assure themselves that (1) the disease incidences supplied by HHS are accurate and reliable indicators of need for Federal immunization financial support; and (2) Federal funding for inoculation programs may also create Federal liability for adverse reactions from vaccines. In addition, the Committees should be aware that opportunity exists for placing authority and responsibility for reaction data collection dissemination with one agency.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

FOOD AND DRUG ADMINISTRATION

Need for More Effective Regulation of Direct Additives to Food (HRD-80-90, 8-14-80)

Budget Function: Health: Consumer and occupational health and safety (0554)
Legislative Authority: Food, Drug and Cosmetic Act (21 U.S.C. 301 et seq.). Meat Inspection Act (21 U.S.C. 601 et seq.). Poultry Products Inspection Act (21 U.S.C. 451 et seq.). Saccharin Study and Labeling Act (P.L. 95-203). Food Additives Amendment of 1958 (21 U.S.C. 321(s); 21 U.S.C. 342(a)(2)(c); 21 U.S.C. 348). 21 C.F.R. 170.6. 21 C.F.R. 170.35.

The Food, Drug and Cosmetic Act requires that the safety of direct food additives be based on scientific evidence and that the evidence be reviewed and approved by the Food and Drug Administration (FDA). However, the Act exempts from review and approval substances generally recognized as safe by experts or approved for use before 1958, and allows the safety determination for some of those substances to be based on experience drawn from common use in food. The safety of several of these exempted substances has been questioned. A review was undertaken to determine whether current legislative authority and FDA regulatory practices adequately protect the public against hazards from substances directly added to food. GAO examined provisions of the Act which exempts about 1,450 substances from food additive regulation by FDA; reviewed several exempted substances, the assumed safety of which was later questioned, and the removal from use of which has been proposed or completed; and evaluated the potential impact these exemptions could have on the level of evidence supporting the safety of these substances.

Findings/Conclusions: The FDA administrative regulations do not clearly define the scientific evidence needed to support the safety of a food additive or explain how it conducts safety assessments. The regulations do not distinguish among the different kinds of evidence which support each substance's safety affirmation. Experience from common use in food has questionable value in assuring that an additive is safe, because individuals are exposed to numerous substances, including environmental contaminants, over a long period. Adverse effects from exposure to harmful substances may not occur for many years. Since FDA is not required to review and approve substances generally recognized as safe (GRAS), there is no assurance that consistent criteria are applied in determining the safety of all such substances. Of the 39 petitions received in 1979 for GRAS designations of substances used after 1958, review of 18 has been completed. Four of the 18 contained sufficient scientific evidence to support a GRAS affirmation. During 1978, FDA received 14 petitions requesting that food additives be approved. As of October 1979, regulations had not been approved or published for any of these substances. In seven petitions reviewed, FDA had determined that the scientific evidence supporting the substance's safety was inadequate and had requested addition evidence. In five cases, data not specifically identified in the regulations were requested. Developmental efforts are currently underway to publish definitive scientific testing guidelines and review criteria for determining the safety of food additives.

Recommendations: The Secretary of Health and Human Services should direct the FDA Commissioner to publish regulations establishing review criteria for assessing the safety of food additives and to issue guidance defining the methods and controls to be used in conducting scientific safety tests. Further, the FDA Commissioner should be directed to revise regulations which list substances that FDA has affirmed as GRAS to indicate the kinds of evidence that support their safety. Congress should amend the Federal Food, Drug and Cosmetic Act to eliminate exemptions for GRAS and prior sanction substances. Changes to the law should provide enough flexibility to encourage the use of information already available and to recognize that different types of scientific evidence may be appropriate to support the safety of food additives. The amendment should also provide a date on which the safety of all GRAS and prior sanction substances must be subject to Federal review and approval.

Agency Comments/Action

The Department of Health and Human Services agreed that the regulation of GRAS and prior sanction substances is an important issue and said it is investigating ways to deal with this complex subject. The Department did not believe, however, that it would be in the public interest to include a mandated timeframe for implementing congressionally enacted revisions. The Department said it has drafted protocols and criteria for evaluating tests of additive safety which will be published in scientific literature and the "Federal Register." The Department did not agree, however, that regulations which list substances FDA has affirmed as GRAS should recognize different levels of evidence that support their safety because of the volume of information they believed would be required. The Department of Agriculture agreed with the GAO recommendations; however, it emphasized the need for gradual implementation of legislative changes to avoid disruptions within the food industry and to permit orderly scientific assessment.

Appropriations

Prevention and control of health problems - Department of Health and Human Services, Food and Drug Administration

Appropriations Committee Issues

Increasing the FDA regulatory responsibilities concerning food additives may appear contrary to the current trend of reducing, wherever possible, government regulation and control over the marketplace. Further, the additional testing, review, and regulatory requirements which would be placed on industry and FDA by the change in law GAO recommends will inevitably add costs. The Committees must consider the level of funding which is appropriate in this area.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

HEALTH CARE FINANCING ADMINISTRATION

Home Health Care Services--Tighter Fiscal Controls Needed
(HRD-79-17, 5-15-79)

Budget Function: Health: Health Care Services (0551)
Legislative Authority: Health Insurance for the Aged. Social Security Amendments of 1972.

As of June 1978, there were 2,612 agencies certified by Medicare to provide home health care. A detailed audit was conducted at 11 home health agencies to verify that the costs claimed for Medicare were in fact incurred, allowable, reasonable, and properly reported. This review focused on proprietary and private nonprofit agencies.

Findings/Conclusions: GAO found wide variances and inadequacies in Medicare's reimbursement procedures for home health care. The management and clerical costs for two home health agencies in Louisiana that were comparable in size were $291,400 and $129,000. A comparison of two agencies in Florida showed wide variances in personnel salaries. The number of nonprofit home health agencies has grown significantly in recent years. One reason for this growth is due to the efforts of some for-profit organizations which assist in the establishment of such agencies and subsequently do business with them. GAO believes that there is program abuse because of the following examples: (1) the newly created agencies obtain services from the for-profit organizations without the benefit of competition; (2) the contracts of two for-profit organizations were for an excessive period of time (35 years and 29 years); (3) some for-profit organizations used facilities of the nonprofit agencies to conduct their business at the expense of the Medicare program; (4) some services under the contracts may be unnecessary for providing home health services; and (5) frequent examples of self-dealing were noted between the for-profit organizations and the home health agencies.

Recommendations: The Secretary of the Department of Health, Education, and Welfare (HEW) should direct the Administrator of the Health Care Financing Administration (HCFA) to develop the cost limits under Section 223 of the Social Security Amendments of 1972 for individual home health care cost elements where this is appropriate. The Secretary of HEW should also direct the Administrator of HCFA: (1) to emphasize to providers that costs claimed under Medicare must be documented; (2) require intermediaries to test the adherence of providers to the documentation requirements; (3) clarify and strengthen program instructions for the specific types of promotional activities that are allowable; (4) require providers to document the scope and nature of the duties of agency employees often designated as discharge planners or hospital coordinators; (5) emphasize to home health providers that prior approval is required for those fringe benefits not otherwise specifically authorized; and (6) require that home health agencies provide specific reporting on the salaries and fringe benefits furnished to individual employees. Finally, the Secretary of HEW should direct the Administrator of HCFA to require prior intermediary approval of home health agency contracts whose costs exceed a specified amount or whose term exceeds a specified period of time.

Agency Comments/Action

The Department of Health and Human Services (HHS) has established overall cost limits for home care, but limits have not been established for individual elements of home health care costs. HHS believes that great strides have been made in developing a uniform cost report for home health providers as required by the Medicare and Medicaid Anti-Fraud and Abuse Amendments (P.L. 95-142). HHS said that a uniform cost report is required before it can set limits on individual cost items. Effective for agency cost reporting periods beginning on or after October 1, 1980, agencies are required to report costs in a more uniform matter. Accordingly, a complete year of new cost data will not be available until October 1982, at which time HCFA plans to review the data and determine if limits should be established based on individual services for individual elements of home health costs. HHS has not indicated concurrence in the recommendations that intermediaries be required to: (1) test the adherence of providers to the documentation requirements, and (2) approve home health agency contracts whose costs exceed a specified amount or whose terms exceed a specified period of time.

Appropriations

Health care services - Department of Health and Human Services, Health Care Financing Administration

Appropriations Committee Issues

The GAO recommendations, particularly the ones concerning limits for individual elements of home health service costs and the requirement for intermediaries to approve certain home health agency contracts, have the potential to serve as effective aids in controlling home health costs and program abuse.

BEST DOCUMENT AVAILABLE

DEPARTMENT OF HEALTH AND HUMAN SERVICES

HEALTH CARE FINANCING ADMINISTRATION

Hospitals in the Same Area Often Pay Widely Different Prices for Comparable Supply Items (HRD-80-35, 1-21-80)

Budget Function: Health: Health Care Services (0551)

A review was made of the procurement practices of 37 hospitals in 6 cities to determine (1) the prices paid for selected routine hospital items, and (2) whether there are significant variations in prices paid for the same or similar hospital items within the same geographical area.

Findings/Conclusions: GAO identified significant differences in prices paid by different hospitals in the same geographic area for the same items. The overall weighted impact of the differences in terms of total annual usage was 10 percent, although in some instances the difference ran as high as 300 percent. No adequate explanation for the variations was apparent; however, the most plausible explanations were (1) that purchasing agents did not share or exchange price information, and (2) that the higher prices for some items were due to other services furnished by vendors. Although the Department of Health, Education, and Welfare (HEW) and its Medicare intermediaries did not believe that scrutiny of the prices paid for hospital supplies would be cost effective, GAO identified 5 items which offered potential aggregate savings of about $150,000, or 4 percent aggregate volume of those items, for hospitals in two or more cities. The potential savings on the five items alone could amount to millions of dollars.

Recommendations: The Secretary of HEW should direct the Administrator of the Health Care Financing Administration (HCFA) to instruct Medicare intermediaries to gather and compile price information in various areas on the five items GAO identified that appeared to offer the greatest potential for cost savings and to communicate such information to the hospitals they service. The intermediaries should be instructed to monitor their hospitals' purchases of these items periodically and report back to HCFA so it can (1) assess whether monitoring prices may result in cost savings, and (2) determine whether monitoring should be expanded to include other hospital supply items.

Agency Comments/Action

HHS advised GAO that it was taking a cautious approach to implementing the recommendation by doing a pilot study in three metropolitan areas. HHS said its timetable includes initiating the data exchange system on September 1, 1980, and evaluating it by March 31, 1982. HHS cited the complexity of the hospital supply market structure and the variations in the product-service mix which should be accounted for. GAO believes that HHS has overstated the complexities of the recommendation. In the first place, the recommendation pertained to only five supply items (disposable electrodes, intravenous solution, x-ray film, medical gas, and irrigating solution). In the second place, GAO was proposing that the Medicare intermediaries merely gather, compile, and communicate price information to hospitals on these five items to facilitate more informed procurement decisions. GAO did not propose any complex regulatory scheme as HHS implied.

Appropriations

Health care services - Department of Health and Human Services, Health Care Financing Administration

Appropriations Committee Issues

During fiscal year 1979, Medicare and Medicaid payments to hospitals on behalf of beneficiaries for inpatient hospital services were about $25 billion, of which about $4.3 billion represented supply costs. GAO believes that the prompt adoption of its recommendation with respect to only the five items offers potential savings of millions of dollars.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

HEALTH CARE FINANCING ADMINISTRATION

Federal Funding for State Medicaid Fraud Control Units Still Needed (HRD-81-2, 10-6-80)

Budget Function: Health: Health Care Services (0551)
Legislative Authority: Social Security Act (42 U.S.C. 1396). Medicare-Medicaid Anti-Fraud and Abuse Amendments (P.L. 95-142). Omnibus Reconciliation Act of 1980. P.L. 92-603. H.R. 4000 (96th Cong.). H.R. 7765 (96th Cong.). Medical Fraud Law (Washington). S. Rept. 96-471. H.R. 934 (96th Cong.). S. 988 (96th Cong.). Executive Law (New York).

Medicaid fraud costs American taxpayers millions of dollars annually. To help reduce the losses, Congress enacted the Medicare-Medicaid Anti-Fraud and Abuse Amendments authorizing 90 percent Federal matching payments for fiscal years 1978-80 as an incentive for States to establish Medicaid fraud control units. It was expected that this financial relief would enable many State governments to establish new units or expand existing ones and that, after the units had been in operation a few years, they would begin to recover from prosecutions amounts equal to or exceeding their operating costs. The Department of Health and Human Services (HHS) Office of the Inspector General is responsible for certifying, funding, and monitoring the fraud control units. GAO reviewed 7 of the 30 existing State certified fraud units.

Findings/Conclusions: From their effective certification dates through December 31, 1979, these units reported potential recoveries of about $19 million, about one-half of their total operating costs. The additional Federal funding has resulted in increases in the number of staff, cases handled, and convictions. Fraud units also deter Medicaid providers from attempting fraud and have had an impact on changing State legislation and Medicaid regulations to make it easier to identify fraud and to provide for more stringent penalties. If some type of continued Federal funding is not provided, many units will cease to exist or will operate at a reduced level of effectiveness. New fraud units in other States are not likely to be established. Situations which have hindered the effective operation of State fraud units have included: (1) potential fraud cases which have not contained sufficient information to make a meaningful evaluation of fraud prosecution potential; (2) investigations which have been hampered by problems in dealing with State Medicaid agencies; (3) problems in hiring and retaining staff because of low salaries, personnel ceilings, and the uncertainty of Federal funding; and (4) fraud unit staffs which have not received adequate training. Two of the fraud units reviewed did not implement the formal procedures which HHS has approved to assure prosecution.

Recommendations: Congress should provide for funding the establishment and operation of State Medicaid fraud control units beyond September 1980. The Secretary of HHS should direct the HHS Inspector General to verify, on a sample basis, the accuracy of the statistics included in the State fraud units' quarterly reports on their fraud investigation activities. The Secretary of HHS should direct the HHS Inspector General to develop a fraud unit training manual incorporating the most effective techniques and methods of dealing with Medicaid provider fraud based on the experience gained by the fraud units. The Secretary of HHS should direct the HHS Inspector General to determine which fraud units do not have adequate procedures for following up on the amount of overpayments actually collected and require them to establish appropriate procedures. The Secretary of HHS should direct the HHS Inspector General to decertify those State fraud units that do not meet the statewide prosecution requirement of the law and regulations. The Secretary of HHS should direct the HHS Inspector General to develop criteria, in consultation with fraud units and State Medicaid agencies, to guide Medicaid agencies on the extent to which a potential fraud case should be developed before referral to the fraud unit and what types of data and analysis should be included in the referral. The Secretary of HHS should direct the HHS Inspector General to issue guidelines on essential elements that should be included in a fraud unit's formal procedures with local prosecutors or working relationships with the State attorney general to assure statewide prosecution of fraud cases. The Secretary of HHS should direct the HHS Inspector General to reassess the the adequacy of the arrangements now in effect in States where the attorney general's office does not have statewide criminal fraud prosecution authority, or if it does, the unit is located outside that office to assure that prosecution can be carried out as needed statewide.

Agency Comments/Action

In the Omnibus Reconciliation Act of 1980, Congress provided continued Federal sharing in Medicaid Fraud Control Units at a 75-percent rate. HHS concurred with and is attempting to address all of the GAO recommendations. HHS officials stated that they are currently preparing draft regulations which will respond to GAO recommendations on the need for care referral criteria, guidelines on a fraud unit's essential elements, and the need for statewide prosecution authority for State Attorneys General. They are also attempting to identify the best techniques and methods for dealing with Medicaid provider fraud which all States will be encouraged to use. Officials stated that the other recommendations are being addressed in the day-to-day operations of the program.

Appropriations

Grants to States for Medicaid - Department of Health and Human Services, Health Care Financing Administration

Appropriations Committee Issues

The continued funding and enhancement of State fraud control units appears to be appropriate since it provides a valuable tool in the fight against Medicaid fraud.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

HEALTH CARE FINANCING ADMINISTRATION

Programs To Control Prescription Drug Costs Under Medicaid and Medicare Could Be Strengthened (HRD-81-36, 12-31-80)

Budget Function: Health: Health Care Services (0551)
Legislative Authority: S. 1177 (96th Cong.).

The Department of Health and Human Services (HHS) established two programs to contain the costs of prescription drugs under Medicaid and Medicare by setting upper limits on the amounts that could be reimbursed. One program, the Maximum Allowable Cost (MAC) Program, pertains to multiple-source drugs and is applicable to Medicaid and Medicare. The other program, the Estimated Acquisition Cost (EAC) Program, pertains to all drugs and is applicable only to Medicaid. GAO looked into the effectiveness of these programs in five States and obtained information on the effectiveness of State drug substitution laws nationwide.

Findings/Conclusions: The MAC program has resulted in savings of about $1.4 million a year under Medicaid for outpatient drugs in the five States; however, the savings could have been greater if: (1) States had implemented the MAC limits on a more timely basis and/or, in accordance with regulations, had not claimed Federal sharing for savings lost due to delays in implementation; and (2) HHS had a formal mechanism for systematically updating the limits. Medicare's enforcement program for MAC drugs provided by hospitals has not been adhered to. Even if the program was enforced, it would have little impact on costs because the forms or types of drugs covered by MAC do not appear to be those purchased in large quantities by hospitals. The program could affect costs if it focused on drugs with the greatest cost saving potential in the hospital inpatient setting. One of the objectives of EAC was to move the States away from using the published average wholesale prices of drugs for setting limits. States are still using the published wholesale prices to set limits. Encouraging State MAC programs and other special EAC programs likely would produce lower drug costs under Medicaid than the EAC Program as currently established. State substitution laws have the potential for significant savings to all consumers. However, substitutions have not been made wherever possible. Forty-five States and the District of Columbia permitted or required substitutions under certain circumstances.

Recommendations: The Secretary of HHS should direct the Administrator of HCFA to provide for the systematic and formal updating of the MAC limits. The Secretary of HHS should direct the Administrator of HCFA to encourage the States to review the Federal MAC limits to determine whether a lower statewide MAC would be reasonable and appropriate. The Secretary of HHS should direct the Administrator of HCFA to encourage the States to determine the package sizes most commonly purchased by pharmacists and adjust their EAC levels accordingly. The Secretary of HHS should direct the Administrator of HCFA to encourage the States to determine drugs for which it is appropriate to establish EAC's based on direct purchase prices and then do so. The Secretary of HHS should direct the Administrator of HCFA to recover from California and Florida the Federal share of excess costs attributed to the delays in implementing the MAC limits. The Secretary of HHS should direct the Administrator of HCFA to encourage the States to review their EAC drug limits to identify drugs that would be suitable for the MAC multiple-source approach on a statewide basis. The Secretary of HHS should direct the Administrator of HCFA to require State claims processing systems to identify drug costs ineligible for Federal sharing through implementation of the recently enacted amendment in S. 1177 or under existing authority. The Secretary of HHS should direct the Administrator of HCFA to reevaluate the applicability of the MAC Program to the inpatient hospital setting with the view toward eliminating the existing regulatory and administrative structure which is not being enforced or focusing on the forms or types of drugs which would make the structure worthwhile.

Agency Comments/Action

HHS agreed with most of the recommendations and said that it was taking actions to implement them. However, HHS did not agree that States should be required to identify drug costs ineligible for Federal sharing, saying improved enforcement under existing authority would be more feasible. An after-the-fact determination of the amount of ineligible drug costs is both difficult and time consuming, and GAO believes its recommended solution is preferrable. Also, HHS disagreed with the recommendation to revise the MAC program as it relates to inpatient hospital drugs, but its comments did not address the issues raised. GAO points out that a complicated regulatory scheme is in place which is not adherred to and which does not substantially affect drug costs. Unless the MAC program for inpatient hospital drugs is redirected toward the drugs purchased in large quantities by hospitals, it makes no sense to continue the regulatory scheme.

Appropriations

Medicare and grants to States for Medicaid - Department of Health and Human Services, Health Care Financing Administration

Appropriations Committee Issues

State compliance with MAC regulations would be enhanced if States had to identify drug costs ineligible for Federal sharing. Federal Medicaid drug costs would be reduced. As presently constituted, the MAC program for inpatient hospital drugs establishes a complicated regulatory scheme which has little impact on costs. The MAC program should be redirected to achieve greater cost savings or the regulatory scheme should be dropped.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

HEALTH CARE FINANCING ADMINISTRATION

More Action Needed To Reduce Beneficiary Underpayments (HRD-81-126, 9-3-81)

Budget Function: Health: Health Care Services (0551)

GAO assessed the procedures for reviewing unassigned Medicare claims where significant portions were disallowed for payment. The assessment was undertaken to determine how the safeguards established by Medicare carriers to identify potential underpayments associated with reasonable charge reductions were being applied. This assessment was performed as follow-on work to an earlier report addressing four areas where Medicare beneficiaries were subject to inequitable out-of-pocket costs for services covered by Medicare. In addition, GAO assessed actions taken by the Department of Health and Human Services (HHS) on recommendations made in that report.

Findings/Conclusions: As of June 29, 1981, HHS had taken little action on GAO recommendations made in the earlier report. Claims that are subject to relatively large reasonable charge reductions often involve underpayments which go undetected because of poor claims review. The Health Care Financing Administration's (HCFA) Contractor Performance Evaluation Program (CPEP) provides for an annual evaluation of a carrier's operations in terms of specific performance criteria and statistical measures. A major component of CPEP, the Carrier Quality Assurance Program, assesses the quality of claims processing on a statistical basis. HCFA claims processing standards require that Part B carriers process reasonable charge reductions automatically when billed charges are in excess of reasonable charges within established safeguards. The safeguards are to identify for manual review and resolution those claims and related medical procedures where submitted charges are reduced significantly for payment purposes. CPEP does not address how well carriers review these types of claims. The HCFA Quality Assurance Manual provides for checking the sampled claims against the carrier's claims processing rules and standards. However, it does not specifically provide for determining adherence to a carrier's standards for identifying high reasonable charge reductions for resolution through special handling or manual review. GAO believes that this is a weakness in the Carrier Quality Assurance Program for measuring how well carriers adhere to their claims processing standards.

Recommendations: To provide greater assurance that safeguards for identifying potential underpayments are effective, the Secretary of HHS should direct the Administrator of the Health Care Financing Administration to modify the Contractor Performance Evaluation Program for Part B carriers to place additional emphasis on detecting and preventing underpayments. Specifically, the Quality Assurance Program should address, as a separate category of error, the quality of the review of claims that exceed the carriers' high charge reduction safeguards.

Agency Comments/Action

HHS has not responded to the recommendations.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

HEALTH CARE FINANCING ADMINISTRATION

Medicare's Reimbursement Policies for Durable Medical Equipment Should Be Modified and Made More Consistent

(HRD-81-140, 9-10-81)

Budget Function: Health: Health Care Services (0551)
Legislative Authority: Medicare-Medicaid Anti-Fraud and Abuse Admendments (P.L. 95-142). Social Security Act (42 U.S.C. 1395). Social Security Amendments of 1965 (79 Stat. 286). Social Security Amendments of 1967 (81 Stat. 821). Social Security Amendments of 1972 (P.L. 92-603). Medicare Manual part B, 7080.1.

Because of complaints from suppliers of durable medical equipment to Medicare beneficiaries in some southeastern States that they were not being treated fairly by the Health Care Financing Administration's (HCFA) Atlanta regional office and Medicare carriers in that region, GAO was asked to look into selected Medicare reimbursement practices in Georgia, Alabama, Florida, and South Carolina in comparison with other States. Specifically, GAO was asked to determine: (1) whether standard hospital beds and wheelchairs are widely and consistently available to beneficiaries at the 25th percentile; (2) whether suppliers in the HCFA Atlanta region were subject to different and more restrictive coverage and reimbursement criteria than were being applied to suppliers in other areas; and (3) the appropriateness of other payment practices and polices followed by carriers in the Atlanta region.

Findings/Conclusions: There were large geographical areas in most of the States reviewed containing thousands of Medicare beneficiaries where standard wheelchairs and hospital beds were not available at the lowest charge level. This condition was less critical for rental than for purchases because more suppliers took assignment for rentals than for purchases. Because carriers do not accumulate data on the number or rate of assignments for these items, HCFA does not know what the assignment rates are or their precise impact on availability. The unavailability of these items for purchase at the lowest charge levels tends to defeat the purchase of of Public Law 95-142. In addition, there have been problems with developing, applying, and monitoring the provisions. The coverage and utilization screens used by the Atlanta region differ from those used in the Boston, San Francisco, and Kansas City regions. Even within the Atlanta region, carriers have differing requirements. Carriers in the Atlanta region were also the only carriers reviewed that used inherent reasonableness tests to assess the validity of durable medical equipment allowances.

Recommendations: The Secretary of the Department of Health and Human Services (HHS) should direct the Administrator of HCFA to discontinue applying the 25th percentile on purchases because: (1) there are not enough data to compute it; (2) equipment is not widely and consistently available at the computed price; and (3) the limits tend to defeat the purpose of Public Law 95-142 which would require purchase if less costly than rental. The Secretary of HHS should direct the Administrator of HCFA to require carriers to compute data on assignments for items subject to the lowest charge levels to monitor the availability of such items. The Secretary of HHS should direct the Administrator of HCFA, to inform beneficiaries, or their doctors, of where items can be acquired at or below the allowed amount or suppliers that usually accept assignment. The Secretary of HHS should direct the Administrator of HCFA to insure the Medicare policies, practices, and coverage and utilization screens required by HCFA are consistently applied in all regions. The Secretary of HHS should direct the Administrator of HCFA to determine, to the extent practicable, the cost effectiveness of coverage and utilization screens before or during their implementation.

Agency Comments/Action

Agency coments were not available.

Appropriations

Medicare - Department of Health and Human Services, Health Care Financing Admnistration

Appropriations Committee Issues

Section 16 of Public Law 95-142 was intended to protect the Medicare program and beneficiaries against excessive expenditures caused by prolonged rental of equipment. Therefore, existing reimbursement policies which do not support the cost saving objectives should be modified.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

HEALTH CARE FINANCING ADMINISTRATION

Medicare Home Health Services: A Difficult Program To Control
(HRD-81-155, 9-25-81)

Budget Function: Health: Health Care Services (0551)
Legislative Authority: Medicare-Medicaid Anti-Fraud and Abuse Amendments (P.L. 95-142). Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35). Social Security Act. Social Security Amendments of 1965. Social Security Amendments of 1972. 42 C.F.R. 400. 42 C.F.R. 405.237. 42 C.F.R. 405.1227. S. Rept. 89-404.

GAO assessed various Medicare claims to determine the reasonableness and medical necessity of skilled nursing care and therapy, the need for home health aide services, and compliance with the homebound and other requirements of the Medicare program. Aide services provide for the personal care of the beneficiary and represent about one-third of all visits provided under the program. Because family and friends provide similar services, GAO visited 150 beneficiaries in their homes to determine if the use of home health aides was supplanting the support provided by family and friends.

Findings/Conclusions: In a review of a sample of beneficiary medical files at 37 home health agencies, GAO found that 27 percent of the home health visits were not covered under the program or were questionable. Two major reasons were that beneficiaries were not homebound and the services provided were not reasonable or medically necessary. GAO noted that other studies also disclosed similar results. GAO found that Medicare contractors or intermediaries deny few claims for payment because they receive from home health agencies little information on which to base a judgment. GAO found the homebound requirement of the program to be especially difficult to administer because of a lack of clear criteria as to the ambulatory status of the beneficiaries and the nature and frequency of absences from home. For 42, or 28 percent, of the cases, GAO was of the opinion that the beneficiary was capable of self care or family or friends were willing and able to provide the services required. GAO found several other factors which were adversely affecting proper utilization of the home health benefits: (1) physicians who authorize program services do not appear to be taking a very active role in the program; (2) Medicare contractors had little specific comparative information about the utilization practices of home health agencies; (3) the medical documentation in agency case files was often not complete; (4) home visits with beneficiaries are needed to verify various program requirements; and (4) contractors have little incentive to make proper coverage determinations.

Recommendations: The Secretary of the Department of Health and Human Services should direct the Administrator of the Health Care Financing Administration to require home health agencies to submit a copy of the beneficiary's medical file where utilization exceeds the national guidelines mandated by the Omnibus Budget Reconciliation Act of 1981. The Secretary of the Department of Health and Human Services should direct the Administrator of the Health Care Financing Administration to require intermediaries to obtain from home health agencies a copy of the medical file for a fixed percent of claims that do not exceed the national guidelines. The Secretary of the Department of Health and Human Services should direct the Administrator of the Health Care Financing Administration to clarify and make more specific the criteria for determining homebound status. The Secretary of the Department of Health and Human Services should direct the Administrator of the Health Care Financing Administration to require home health agency nurses and aides to specifically document the ambulatory status of beneficiaries, including the nature and frequency of absences from the home. The Secretary of the Department of Health and Human Services should direct the Administrator of the Health Care Financing Administration to clarify the criteria on the use of aides for homemaker type services. The Secretary of the Department of Health and Human Services should direct the Administrator of the Health Care Financing Administration to require that the estimated cost of the home health services to be provided be placed on the authorizing plan of treatment and recertifications. The Secretary of the Department of Health and Human Services should direct the Administrator of the Health Care Financing Administration to inform physicians of the overutilization of the home health benefit, program requirements, and their role in authorizing services. The Secretary of the Department of Health and Human Services should direct the Administrator of the Health Care Financing Administration to require intermediaries to apprise physicians of the noncovered services provided under plans of care they approve. The Secretary of the Department of Health and Human Services should direct the Administrator of the Health Care Financing Administration to expand and improve on the use of comparative analysis techniques to identify aberrant home health utilization patterns. The Secretary of the Department of Health and Human Services should direct the Administrator of the Health Care Financing Administration to emphasize to home health agencies the documentation requirements for clinical records and to strengthen the requirements. The Secretary of the Department of Health and Human Services should direct the Administrator of the Health Care Financing Administration to include home visits to beneficiaries as part of the onsite coverage audits of home health agencies. The Secretary of the Department of Health and Human Services should direct the Administrator of the Health Care Financing Administration to revise the intermediary contractor evaluation program to provide for an assessment of the appropriateness of home health coverage determinations. The Secretary of the Department of Health and Human Services should direct the Administrator of the Health Care Financing Administration to develop a standard aide needs assessment guide which specifically assesses the availability and capability of family and friends to provide personal care services and require home health agencies to use it. The Secretary of the Department of Health and Human Services should direct the Administrator of the Health Care Financing Administration to, where home health agencies provide aide services, require them to submit with their bills a copy of the aide needs assessment. The Secretary of the Department of Health and Human Services should direct the Administrator of the Health Care Financing Administration to address the issue of respite care, that is, if it is authorized under the program and, if so, under what circumstances. The Secretary of the Department of Health and Human Services should direct the Administrator of the Health Care Financing Administration to establish a policy for the use of aides in situations where family members are able but appear unwilling or reluctant to help the beneficiary with patient care.

Agency Comments/Action

No agency comments had been received as of November 19, 1981.

Appropriations

Medicare - Department of Health and Human Services, Health Care Financing Administration

DEPARTMENT OF HEALTH AND HUMAN SERVICES

HEALTH CARE TRAINING ADMINISTRATION

Improving Medicaid Cash Management Will Reduce Federal Interest Costs (HRD-81-94, 5-29-81)

Budget Function: Health: Health Care Services (0551)
Legislative Authority: Intergovernmental Cooperation Act of 1938 (42 U.S.C. 4201 et seq.). Social Security Act. Social Security Amendments of 1965. 12 C.F.R. 204.5.

GAO reviewed the State systems for recovering Medicaid overpayments to providers and for returning the Federal share of these overpayments to the Department of Health and Human Services (HHS).

Findings/Conclusions: GAO found that over $11 million in Medicaid and other program funds were in noninterest-bearing checking accounts in three States. Because the banks had use of this money, the Federal and State Governments lost incurred interest of over $1.3 million. One of the banks involved reported earning $512,000 on the Medicaid funds it held for an 11-month period. Some States drew Federal funds in excess of current disbursement needs, invested the balances, and retained the interest earned. States had not returned the Federal share of $23 million in identified but uncollected overpayments. The time that elapsed between when States made cash collections and when they returned the Federal share enabled States to earn substantial amounts of interest on Federal funds.

Recommendations: The Secretary of HHS should direct the Administrator of the Health Care Financing Administration to establish procedures for uniform crediting of the Federal share of uncashed Medicaid checks and ensure that such credits are timely and accurate. The Secretary of HHS should direct the Administrator of the Health Care Financing Administration to modify the procedures through which the Federal share of recovered Medicaid overpayments are returned to eliminate the long elapsed time between recovery and return of the Federal share. The Secretary of HHS should direct the Administrator of the Health Care Financing Administration to review Medicaid cash management practices in all States (except the 10 largest where actions are currently underway) and take appropriate actions to minimize the amount of Federal money being held by the States. The Secretary of HHS should direct the Administrator of the Health Care Financing Administration to require States or their fiscal agents to have written agreements with the banks used for Medicaid checks, which ensure that Medicaid checking services are obtained at reasonable costs considering both bank charges and the ability of banks to invest deposit balances.

Agency Comments/Action

HHS has not responded to these recommendations.

Appropriations

Grants to States for Medicaid - Department of Health and Human Services, Health Care Training Administration

Appropriations Committee Issues

The Committees should assure that the States draw Federal funds only when they are immediately needed for disbursement, which would decrease Federal interest costs.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

HEALTH SERVICES ADMINISTRATION

The Sudden Infant Death Syndrome Program Helps Families but Needs Improvement (HRD-81-25, 2-6-81)

Budget Function: Health: Health Care Services (0551)
Legislative Authority: Small Business Act (15 U.S.C. 637(a)). Public Health Service Act (42 U.S.C. 300c et seq.). Social Security Act (42 U.S.C. 701). Sudden Infant Death Syndrome Act of 1974 (P.L. 93-270). 41 C.F.R. 1-1.10. 42 C.F.R. 51a.503(a). 42 C.F.R. 51a.505. 42 C.F.R. 51a.506. 42 C.F.R. 51a.507. 42 C.F.R. 51a.511. 42 C.F.R. 51a.514. 45 C.F.R. 74.108. P.L. 96-142. S. Rept. 95-283. S. Rept. 96-102.

GAO reviewed the Sudden Infant Death Syndrome (SIDS) Counseling and Information Program, the performance of selected program grantees and contractors, the extent of voluntary groups' participation in the grantees' project activities, program administration, and procedures for awarding and managing grants and contracts. Since 1975, the Department of Health and Human Services (HHS) has provided assistance to families who have suffered a sudden infant death. Grants are awarded to public and nonprofit private entities. GAO reviewed case files and interviewed family members. Lack of sufficient data and a lack of HHS performance standards prevented a full evaluation of the project's effectiveness.

Findings/Conclusions: SIDS projects generally were making progress in meeting program objectives. Autopsies were generally done promptly, and SIDS was recorded on death certificates when appropriate. The projects generally saw that parents were notified of the cause of death, given information on SIDS, and offered counseling. The project's performance varied considerably in seeing that parents were notified and counseled within the period desired by HHS. Two major problems were the failure of some medical examiners and coroners to promptly inform the projects of SIDS deaths and the failure of many projects to collect sufficient data. The families GAO contacted believed the services were helpful. The extent of voluntary participation varied. HHS procedures for determining the funding of individual grantees resulted in excessive funding for several projects. HHS did not follow established procedures for making sure that grantees' unused funds were applied to the next year's funding.

Recommendations: Congress should consolidate the SIDS Information and Counseling Program and the Maternal and Child Health program authorized under title V of the Social Security Act. The Secretary of HHS should issue guidelines on projects' appropriate use of community groups, including volunteers. The guidelines should include a clear statement of (1) the types of activities appropriate for community groups; (2) the circumstances under which the groups can be used; and (3) projects' responsibilities for ensuring appropriate use of the groups. The Secretary of HHS should develop standards for measuring SIDS projects' performance and evaluate project performance against those standards. The Secretary of HHS should assure that the scope of work statement in each contract provides adequate specificity regarding HHS' requirements and expectations. The Secretary of HHS should establish criteria for funding SIDS grantees, considering such factors as the number of SIDS cases in their service areas and the need for Federal funding in those areas. The Secretary of HHS should assure that the SIDS Program Office is appropriately staffed on a continuing basis to permit it to periodically evaluate grantees' performance and compliance with program requirements. The Secretary of HHS should issue additional guidance to projects concerning case management and epidemiological data they are to collect and submit, periodically evaluate these data, and ensure that only data which are needed and used are collected. The Secretary of HHS should enforce requirements that grantees promptly report to HHS when they will not be spending all of the funds they were awarded and assure that future grant awards are offset with unexpended fund balances. The Secretary of HHS should issue instructions--such as those applicable to the SIDS grant program--which prohibit panels reviewing contract technical proposals from including persons who might have reason to be biased, or might have the appearance of being biased, against any competitor. The Secretary of HHS should issue additional guidance on the content of the narrative section of SIDS grant applications and require grant applicants to submit specific, measurable objectives for those aspects of operations critical to an effective program. HHS should also issue guidance to applicants on the types of objectives appropriate for new and continuing projects and assure that projects evaluate their own performance as required.

Agency Comments/Action

HHS has initiated action to implement the recommendations. It has reduced funding for several SIDS program grantees during fiscal year 1981. In August 1981, the SIDS program was consolidated into the Maternal and Child Health Block Grant with enactment of Public Law 95-35.

Appropriations

Health services - Department of Health and Human Services, Health Services Administration

Appropriations Committee Issues

None after fiscal year 1981.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

HEALTH SERVICES ADMINISTRATION

Family Planning Clinics Can Provide Services at Less Cost but Clearer Federal Policies Are Needed (HRD-81-68, 6-19-81)

Budget Function: Health: Health Care Services (0551)
Legislative Authority: Family Planning Services and Population Research Act (P.L. 91-572). Social Security Act. Social Security Amendments of 1967 (P.L. 90-248). Public Health Service Act (42 U.S.C. 300). Economic Opportunity Amendments of 1967 (P.L. 90-222).

In fiscal year 1980, the Department of Health and Human Services (HHS) spent about $375 million for family planning services and contraceptive supplies through several different programs. GAO reviewed several aspects of the family planning program authorized by the Public Health Service Act.

Findings/Conclusions: The family planning clinics reviewed generally provided the medical services required by HHS. However, HHS guidelines recommended or required too many clinic revisits by women using oral contraceptives, education that does not appear to be needed by all clients, and routine medical tests that do not seem to be necessary for all clients. Many of the clinics reviewed were performing tests and examinations not required by HHS or professional medical standards. Some of these HHS policies and clinic practices unnecessarily add to program cost and contribute to long waits for appointments and long office visits at some clinics, perhaps deterring initial or continuing participation in the program. Clinics have lost revenue and, in some cases, have treated clients inequitably because HHS and State policies were not clearly understood or consistent. HHS has failed to: update its official definition of a low-income family, issue guidance on charging fees to teenagers, and uniformly enforce fee requirements. The adequacy of the management information system used to allocate program funds and monitor the program is questioned by many HHS and grantee officials. The position of the Deputy Assistant Secretary, in managing the program, should be strengthened by clarifying his responsibilities and authority so that he could more effectively coordinate and evaluate all the component agencies' administration of family planning programs. The use of funds for program implementation research should be clarified.

Recommendations: Congress should reassess whether the Deputy Assistant Secretary for Population Affairs needs to administer all HHS' family planning programs which provide for or authorize grants or contracts. The Secretary of HHS should direct HHS regional offices to assure that title X funded clinics establish fee scales and collect fees in accordance with title X regulations. The Secretary of HHS should direct the Bureau of Community Health Services to revise its family planning guidelines to clarify clinics' options to tailor education requirements to client status and circumstances. The Secretary of HHS should take steps to resolve the differences between titles X and XX programs regarding eligibility for free and subsidized family planning service. If necessary, appropriate proposals should be prepared to achieve this. The Secretary of HHS should formally define program implementation research in consultation with the House Committee on Energy and Commerce and the Senate Committee on Labor and Human Resources. The Secretary of HHS should direct the Bureau of Community Health Services to revise its family planning guidelines to establish routine revisit policies in line with the American College of Obstetricians and Gynecologists' standards and recommendations. The Secretary of HHS should clarify the responsibilities of the Deputy Assistant Secretary for Population Affairs and instruct component agencies to cooperate with the Deputy to put the Deputy in a better position to coordinate all HHS' family planning activities. The Secretary of HHS should direct the Bureau of Community Health Services to work with Centers to prepare guidance on venereal disease screening appropriate for family planning projects. Such guidance should enable projects to decide, in consultation with State and local health authorities, whether to routinely test all clients or to apply criteria for selective testing. The Secretary of HHS should direct the Bureau of Community Health Services to revise its family planning guidelines to eliminate the proposed provision for routine gonorrhea screening and the existing requirement and recommendation for anemia screening and provide that clinics screen based on medical necessity or local conditions. Clinics desiring to screen all clients routinely should be required to justify the need to HHS. The Secretary of HHS should more closely monitor clinic practices to identify routine visits or medical services that are in excess of those required or recommended and deny Federal financial participation under the title X, Medicaid, Social Services, and other programs for those activities unless they are appropriately justified. The Secretary of HHS should direct the Deputy Assistant Secretary for Population Affairs and the Office of Family Planning to refine existing management informations systems to provide data and performance efficiency indicators suited to family planning clinic operations. HHS should build on existing automated systems, and it should include, for example, objective and measurable standards for: (1) accurately counting workload; (2) reporting retention levels and degree of contraceptive protection provided; (3) total cost of providing services; (4) monitoring fee collections; and (5) the extent to which women served are priority target populations.

Agency Comments/Action

HHS generally agreed with the recommendations involving opportunities for cost savings. It published revised program guidelines for reducing the level of required medical services and agreed to more aggressively monitor grantee efforts to collect patient fees. It also reduced the required minimum number of clinic visits necessary for oral contraceptive patients.

Appropriations

Health services - Department of Health and Human Services, Health Services Administration

Appropriations Committee Issues

The Committees should consider reductions in the level of required medical services and the number of client visits to clinics and more aggressive collection of fees from patients required and able to pay. This should enable program grantees to provide adequate services at less cost. Additionally, the Committees should examine the need to appropriate funds for family planning services under both the Title X family planning and Title XX social services programs.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

INDIAN HEALTH SERVICE

Need To Clarify IHS Responsibilities for Maintaining Indian Water and Sanitation Facilities (HRD-80-14, 7-28-80)

Budget Function: Health: Prevention and Control of Health Problems (0553)
Legislative Authority: Indian Health Care Improvement Act (P.L. 94-437). 42 U.S.C. 2004a.

Since 1959, the Indian Health Service (IHS) has spent about $490 million to construct or improve Indian water and sanitation facilities, primarily to support Indian housing programs administered by other Federal agencies. Legislation enacted in 1959 authorized IHS to transfer operating and maintenance responsibility of these facilities to Indian tribes or communities. As part of a survey conducted of the IHS water and sanitation facilities construction program, seven Indian reservations and nine Alaska Native communities were visited to observe the water and sanitation systems or system components that were not operating effectively.

Findings/Conclusions: The tribes or communities had agreed to assume operating and maintenance responsibilities before construction of the facilities and had accepted ownership responsibilities after construction. However, many of them were not willing or financially able to fulfill their agreements. IHS assisted the Indians in operating and maintaining the water and sanitation systems it transferred to them until 1976. At that time, the Department of Health and Human Services' Assistant General Counsel for Public Health concluded that IHS lacked the legislative authority to maintain water and sanitation systems transferred to tribes and communities. These circumstances have posed a dilemma, because IHS is responsible for ensuring that adequate health care is provided to Indians and has invested heavily in the construction and improvement of Indian water and sanitation facilities. The significant IHS capital investment could be lost because of lack of maintenance, and the overall health of the Indians could deteriorate, thereby placing a greater burden on the IHS health care system.

Recommendations: The IHS authorities and responsibilities for maintaining transferred sanitation facilities under the Indian Sanitation Facilities Act should be specifically addressed.

Agency Comments/Action

No action was required by the Department of Health and Human Services.

Appropriations

Indian water and sanitation facilities - Department of Health and Human Services, Health Services Administration, Indian Health Services

Appropriations Committee Issues

The dilemma of funding IHS to construct water and sanitation facilities without clear authority for IHS to maintain such facilities if the tribes and Alaska Natives refuse to do so or are incapable of doing so must be resolved.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

OFFICE OF HUMAN DEVELOPMENT SERVICES

Conditions of Older People: National Information System Needed (HRD-79-95, 9-20-79)

Budget Function: Education, Training, Employment and Social Services: Social Services (0506)
Legislative Authority: Social Security Act. Older Americans Act of 1965.

The older population of this country is increasing both in numbers and in percentages of the total population. This increase in the population of older people will magnify the problems they face. To alleviate many of these problems, Congress has enacted numerous laws to establish programs providing help to the growing numbers of older people. Congress and the executive branch need information to design and plan for the delivery of services to older persons. Currently this information is spread piecemeal throughout Federal, State, local, and private agencies. A national information system is needed to evaluate the combined efforts of current services, and to assess the impact of various laws on the lives of older people.

Findings/Conclusions: To illustrate the information that could be obtained from a national information system, GAO made national estimates for the 21 million noninstitutionalized people 65 years old or older in 1975 based on experiences of older people in Cleveland, Ohio. These estimates, for illustrative purposes only, demonstrate the role that such a national information system could play in major policy decisions. Certain personal conditions, health, security, loneliness, and outlook on life, of older people are measurable and dynamic. The conditions of older people decline over time because of health, security, and loneliness conditions. GAO did not have sufficient data to identify other problems that could affect personal conditions but believe that more data on other problems could be added when establishing a national information system. GAO also demonstrated that certain unmet needs of older persons can be identified by using its data base. The future costs of expanded help to all older people can also be estimated. GAO used its data base to measure the changes in certain conditions and problems of older people, and it related services to these changes. Congress needs alternatives to choose from. A national information system could estimate what percentages of older people receiving various kinds of help are benefiting.

Recommendations: The Secretary of the Department of Health, Education, and Welfare should direct the Office of Human Development Services to establish a comprehensive national information system that determines the personal conditions of, problems of, and help available to older people. Information collected for this system should be available to Congress for analysis. The system should be expanded over time to include information necessary to study why older people do not receive the help they need and how family and friends can be encouraged to provide such help.

Agency Comments/Action

To date, the Administration on Aging (AOA) has established a task force and awarded a grant to the National Association of State Units on Aging to study the issue. These efforts have produced several products, such as survey guidelines, to give AOA a knowledge base and documentation to support developing a national information system. AOA began work on this system during FY 1981 but stated that the effort would take 2-3 years to complete. AOA did not want to project specific deadlines due to uncertainties about the new Administration's policies.

Appropriations

Aging programs - Department of Health and Human Services, Office of Human Development Services

Appropriations Committee Issues

HHS appears to be making progress in responding to the GAO recommendations and GAO will continue to follow up on this next year.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

OFFICE OF HUMAN DEVELOPMENT SERVICES

Guyana Tragedy Points to a Need for Better Care and Protection of Guardianship Children

(HRD-81-7, 12-30-80)

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604)

GAO was requested to review the placement of foster children with members of the Peoples Temple. After finding that some of the children had guardians, GAO examined guardianship children in California.

Findings/Conclusions: GAO found that no children in foster care died in Guyana. A few of the victims of the tragedy were wards of Peoples Temple members and were taken to Guyana without court approval. California guardianship children frequently did not receive all of the protection intended for them by State law. California received Federal foster care maintenance payments for guardianship children who did not meet Federal eligibility criteria. Federal overpayments occurred in three California counties, because the counties obtained Federal reimbursement for guardianship children whose care and placement were not the responsibility of the Department of Health and Human Services (HHS). The health and safety of some children may have been jeopardized by placing them in small foster family homes which housed children in excess of capacity.

Recommendations: The Secretary of HHS should direct the Office of Human Development Services to encourage California to reissue regulations governing guardianship situations and require compliance by county social services agencies. The Secretary of HHS should direct the Office of Human Development Services to determine whether other States are erroneously including guardianship children as federally eligible for foster care. If so, it should act to identify and recover the overpayments. The Secretary of HHS should direct the Office of Human Development Services to work with California to see that Federal funding is provided only for children placed in licensed facilities that fully meet State health and welfare licensing requirements. The Secretary of State should require the U.S. Passport Office to adopt policies and procedures to verify, before issuance of passports, that where required by State law guardians have obtained court approval to take their wards outside the country for travel and/or residence abroad. The Secretary of HHS should direct the Office of Human Development Services to encourage California to reiterate to the probate court judges the importance of county social workers' preparing suitability reports on petitioners for nonrelative guardianship children. The Secretary of HHS should direct the Office of Human Development Services to encourage California to help the county social services agencies expand criteria on suitability reports to cover more fully the physical well-being of children, such as criminal checks and health certificates for petitioners and fire clearances for petitioners' homes. The Secretary of HHS should direct the Office of Human Development Services to follow up on Federal overpayments for ineligible guardianship children and work with California to identify and make retroactive adjustments for the overpayments in the three counties reviewed and the counties not reviewed. The Secretary of HHS should direct the Office of Human Development Services to issue instructions to all of the States notifying them that guardianship children are not eligible for Federal reimbursement for foster care maintenance payments when responsibility for such children is removed from the State title IV-A agency.

Agency Comments/Action

HHS concurred with all recommendations and stated in the 60-day letter that some action between California and HHS officials was taken on most of these. The Department of State did not respond to the single recommendation addressed to it. On two of the recommendations to HHS, the responses were not complete and required further action. These are to (1) direct HHS to determine whether other States are erroneously including guardianship children as eligible for foster care, and (2) followup on Federal overpayments for adjustments. On both of these HHS said that some action would be taken but, as of the date of the 60-day letter, GAO had no evidence of this.

Appropriations

Foster care - Department of State, Passport Office

Appropriations Committee Issues

GAO believes that the Committees should ascertain what actions, if any, have been taken to determine whether States are erroneously including guardianship children as federally eligible for foster care. HHS simply stated that appropriate action would be taken. The Committees should also determine what specific action has been taken to make adjustments for any overpayments in California for ineligible children. Since the State Department did not respond to the recommendation regarding U.S. Passport Services procedures pertaining to guardians traveling abroad, Congress should determine if any action has been taken.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

OFFICE OF HUMAN DEVELOPMENT SERVICES

Action Needed To Avert Future Overpayments to States for AFDC Foster Care (HRD-81-73, 4-20-81)

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604)
Legislative Authority: Social Security Act. Adoption Assistance and Child Welfare Act of 1980 (P.L. 96-272).

Until the Adoption Assistance and Child Welfare Act was enacted, the Department of Health and Human Services (HHS) matched payments available to the States under the the Aid to Families with Dependent Children (AFDC) program for foster home care of dependent children. The Act established fiscal year 1978 as a base year for the computation of future allotments of foster care moneys. A GAO review showed certain unallowable practices regarding fiscal year 1978 reimbursements which, if not given prompt attention, could continue to improperly increase future foster care allotments to some States.

Findings/Conclusions: GAO found that over $12 million in private nonprofit agency foster family home administration costs, not eligible for Federal sharing, were incurred by New York City and federally reimbursed. The States of New York and California were also reimbursed an undetermined amount for costs attributable to ineligible foster care enrollees. Since 1978, GAO has unsuccessfully attempted to have HHS take corrective action to recover amounts reimbursed to New York City for unallowable administrative costs. The longer HHS takes to correct the level of fiscal year 1978 Federal reimbursements, the larger the overpayments will be. Using fiscal year 1978 as a basis for allotments to New York and California without adjusting for incorrect Federal payments has resulted and will continue to result in reimbursements higher than those authorized. If there is a dispute between any State and HHS as to expenditures for a base year, the base amount may only be changed in the fiscal year after the one in which the dispute is resolved. The foster family home administrative services, in dispute in several New York City contracts with private nonprofit agencies, are normally provided by State social service agencies.

Recommendations: The Secretary of HHS should (1) require that all foster care reimbursements to the States for fiscal year 1978 be audited to identify any unallowable costs, determine the correct level of fiscal year 1978 Federal reimbursements, and act to recover unallowable costs; and (2) recover overpayments made to New York City for unallowable administrative costs.

Agency Comments/Action

As of September 1, 1981, HHS has conducted foster care audits in 21 States accounting for approximately $190 million of the $260 million in reported 1978 foster care expenditures by the States. Audits are in progress, or scheduled for the remaining States when resources are available. HHS agreed with GAO that overpayments made to New York City for administrative costs of private nonprofit agencies should be recovered, and upon determination of unallowable costs, such actions will promptly be taken. HHS disagreed with the GAO recommendation to ask Congress to consider legislation deferring the use of 1978 as a base year. The program is already being operated using 1978 allotments and changes could cause significant hardships for the States and HHS.

Appropriations Committee Issues

The HHS response did not demonstrate that all unallowable costs have been expunged from the 1978 base year figure. Therefore, Congress should consider legislation which will defer the use of fiscal year 1978 as allotments to States until all unallowable costs are expunged from the 1978 base year figure.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

OFFICE OF HUMAN DEVELOPMENT SERVICES

An Evaluation of the Organizational Relationship of the Office of Human Development Services and the Administration on Aging
(FPCD-81-41, 4-20-81)

Budget Function: General Government: Central Personnel Management (0805)
Legislative Authority: Older Americans Act of 1965 (P.L. 89-73; 42 U.S.C. 3001 et seq.). P.L. 93-351. 88 Stat. 357.

The Department of Health and Human Services (HHS) Office of Human Development Services (OHDS) supervises program agencies, such as the Administration on Aging. GAO reviewed OHDS to determine if: (1) OHDS staff units have infringed on and usurped the responsibilities of the Commissioner on Aging, who heads the Administration on Aging; (2) staff units' placement over the Administration has resulted in duplicate functions and excessive administrative burdens; and (3) OHDS has attempted to systematically find out its workload requirements and staff needs as well as those of the Administration on Aging.

Findings/Conclusions: The present organizational structure of OHDS violates provisions of the Older Americans Act which state that the Secretary shall not approve any delegation of the functions of the Commissioner to any other officer not directly responsible to the Commissioner. The structure violates the provisions because OHDS grants and contract officers are not directly responsible to the Commissioner on Aging even though they perform many grant and contract administration functions regarding the Administration on Aging. Also, financial management responsibility for the Administration's discretionary and formula grants is vested in regional office personnel who are not directly responsible to the Commissioner on Aging. GAO did not identify any adverse effects associated with these violations or evidence of duplicate functions or excessive administrative burdens. However, because Congress intended for the functions to be carried out by persons directly responsible to the Commissioner on Aging, GAO recommends actions to deal with these matters. OHDS has not systematically determined its staff needs. Because they lack a systematic, formal process for determining staff needs, GAO could not determine if the Administration on Aging or other OHDS units were sufficiently or insufficiently staffed. Workforce planning could be an effective, internal management tool. If the Secretary of HHS finds that complying with the Older American Act adversely affects the program, he should initiate legislation to amend the Act.

Recommendations: The Secretary of Health and Human Services should revise the organizational structure of OHDS to discontinue the delegation of the Commissioner on Aging's functions, which allows (1) OHDS grant and contract officers to perform administrative functions regarding the Administration on Aging's discretionary grants and contracts; and (2) OHDS regional offices of fiscal operations to handle financial management functions for the Administration on Aging's discretionary and formula grants.

Agency Comments/Action

Agency comments were not received as of September 16, 1981.

Appropriations

Aging programs - Department of Health and Human Services, Office of Human Development Services

Appropriations Committee Issues

The Committees should ensure that the Office of Human Development Services does not violate provisions of the Older Americans Act.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

OFFICE OF THE SECRETARY

HEW Must Improve Control Over Billions in Cash Advances (FGMSD-80-6, 12-28-79)

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (1101)
Legislative Authority: Anti-Deficiency Act (31 U.S.C. 665). 2 GAO 16.8c. 7 GAO 6.9. 7 GAO 5.4.

The Department of Health, Education, and Welfare's (HEW) Federal Assistance Financing System was established to improve the Department's cash management. However, it allowed premature cash withdrawals because of poor organizational aspects and serious design deficiencies. HEW has advanced over $38 billion to about 14,000 non-Federal organizations through the system.

Findings/Conclusions: The system used the direct Treasury check method and the letter-of-credit method to meet recipients' immediate cash needs. Despite Treasury Department regulations, the agreements for advances did not always state that recipients should limit cash withdrawals to only immediate needs. Therefore, many recipients withdrew cash far in advance of need. Letters of credit had not been extended to many eligible recipients because the system's staff was insufficient to handle this task. These letters of credit would allow recipients to operate with small or no Federal cash balances, further reducing public debt interest. There was no authority to handle loans and contract advances through the fund. Because of the significance of the Department's loan programs, the authority to make loans and contract advances would give Congress a chance to learn the extent of advances made and to specify operational reports needed for its oversight. The splitting of responsibilities within the system was inefficient. Staffing was inadequate and may have been the underlying cause of many of the problems. Since the Department advanced money without required information on the recipients' planned expenditures, there were no assurances that the advances would be spent in accordance with approved assistance agreements or for authorized purposes. The system design did not provide for the generation of data needed for effective cash management.

Recommendations: The Secretary of HEW should recover excess amounts of Federal cash held by recipients and, where possible, act to minimize premature cash withdrawals by: (1) developing a control system to monitor recipients' cash balances; and (2) specifying in agreements the conditions under which withdrawals can be made. The Secretary should make sure letters of credit are extended to all recipients eligible to use that financing method, and work with the Treasury Department and Office of Management and Budget in getting States to remove legal and administrative impediments causing premature and excessive cash withdrawals and, when appropriate, use single letters of credit to do this. The Secretary should obtain Congressional approval to make loan and contract advances through the grants' accounting system, assign that system all cash management responsibilities, and give it adequate staff to handle its work. The Secretary should provide the resources necessary to implement the revised system and assure that its design: (1) provides for both detailed accounting records showing recipients' cash balances and a basis for controlling advances by specific appropriation; and (2) uses an approach to charge advances to specific appropriations according to data from recipients. Finally, the Secretary should have internal auditors investigate reports that advances were spent in excess of authorizations, and determine whether the Government should recover any money.

Agency Comments/Action

In responding to the report on April 24, 1980, HEW described a number of positive actions it has completed to implement GAO recommendations. HEW also described system changes to be incorporated into the redesign efforts to replace all of its financial systems, including the one handling cash advances. Also, the HEW response suggested that the redesigned cash advance system will not contain the necessary accounting records to control advances to all recipients by specific appropriations. Followup work by GAO has confirmed this and established that action still has not been taken on some of the GAO recommendations.

Appropriations

Various appropriations available for loans and grants - Department of Health and Human Services

Appropriations Committee Issues

The weaknesses in the Department of Health and Human Service's (HHS) system are serious, since they provide opportunities for misuse of a substantial amount of Federal money. Yet many of them still persist and the Department should be required to complete action on all GAO recommendations as quickly as possible. Specific steps must be taken to make sure the redesigned cash management system includes accounting records to properly control advances by appropriations. Otherwise, it would be useless for Congress to continue to give HHS specific appropriations because of the large amounts of them that will be handled through the cash advance system.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

PUBLIC HEALTH SERVICE

Services for Patients Involved in National Institutes of Health-Supported Research: How Should They Be Classified and Who Should Pay for Them?

(HRD-78-21, 12-22-77)

Budget Function: Health: Health Research and Education (552).
Legislative Authority: Public Health Service Act, sec. 301(e).

The National Institutes of Health (NIH) incurs costs for the care of patients participating in research that should be paid by patients or insurers. NIH often does not know whether grantees are charging it reasonable rates for patient care services because of inadequate monitoring of financial management aspects of grants involving such services.

Findings/Conclusions: There are no Institute-wide guidelines on what patient care services can be paid with research and contract funds. NIH does not take sufficient action to ensure that grantees submit information required for grant administrators to make sound financial decisions.

Recommendations: The Secretary of Health, Education, and Welfare should take actions to establish an adequate basis for determining which patient care services NIH should pay for and to improve various financial management aspects of grants involving patient care services, including: (1) establishing a uniform Institutes-wide policy on patient care costs, with implementing guidelines on allocation of charges for patient care between the Institutes and the patient or other parties; (2) providing for adequate enforcement of the new guidelines and, until they are implemented, requiring that grantees comply with existing guidelines; (3) more vigorously enforcing the requirement that grantees submit satisfactory rate proposals and reports of operations; (4) requiring that patient care rates be negotiated within a certain time; and (5) establishing criteria for evaluating use of clinical research centers.

Agency Comments/Action

The Department of Health, Education, and Welfare agreed with most of the GAO recommendations, although in some instances, the agreement was qualified. Since this report was issued, NIH has published a policy on research patient care costs that it supports through grants, contracts, or other agreements; the policy does not apply to patient care costs incurred at the NIH Clinical Center. The policy statement includes implementing guidelines on allocation of charges for patient care between the Institutes and the patient or other parties.

Appropriations

Department of Health and Human Services, National Institutes of Health

Appropriations Committee Issues

Congress should clarify section 301(e) of the Public Health Service Act to specifically state whether study patients at the NIH Clinical Center and other Public Health Service institutions, hospitals, and stations can be charged for any services they receive.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

SOCIAL SECURITY ADMINISTRATION

Social Security Should Improve Its Collection of Overpayments to Supplemental Security Income Recipients (HRD-79-21, 1-16-79)

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604)
Legislative Authority: Social Security Amendments of 1972 (42 U.S.C. 1381). Social Security Act.

Recovery or waiver by the Social Security Administration (SSA) of overpayments to Supplemental Security Income (SSI) recipients continues to be a problem. Additional improvements are needed if SSA is to achieve uniformity and objectivity in resolving overpayments and reduce an unresolved backlog of over 1.2 million overpayments.

Findings/Conclusions: From January 1974 to September 1978, $27.9 billion was paid in SSI benefits. The SSA identified 3.2 million instances of overpayments totaling about $1.5 billion. Of the $1.5 billion, about $443 million was waived; $295.8 million was collected; $148.8 million of collections were in process; recovery efforts on $147.7 million were suspended; incorrectly computed overpayments for about $5.9 million were adjusted; and the remaining $462.4 million (over 1.2 million cases) had not been resolved. Efficient resolution of overpayments requires that they be quickly and uniformly processed to assure that the debts are promptly collected. Social Security has not acted quickly or uniformly. SSA needs an automated overpayment notice at district offices to assure that an overpaid recipient is notified in a timely manner. A solution to collecting overpayments from former SSI recipients receiving other Federal benefits would be to offset or adjust the other Federal benefits at given rates until the debt is paid; however, Social Security maintains that it has no legal authority to collect from benefits being paid to these recipients under other Federal programs.

Recommendations: GAO believes that SSA should get its SSI overpayment collection process functioning efficiently and uniformly before legislation is enacted authorizing SSA to collect SSI overpayments from funds due to recipients from other Federal benefit-paying programs. The Secretary of Health, Education, and Welfare should direct the Commissioner of Social Security to adopt a stronger and more active management role in recovering SSI overpayments by: (1) establishing standards for timely processing of SSI overpayments; (2) developing a quality control mechanism designed to identify needed corrective actions and needed changes in policy and procedures, and to develop solutions to inequities; (3) developing improved instructions and additional training in overpayment resolution for claims representatives; and (4) developing an automated notice to inform overpaid recipients when they have been overpaid, the cause of the overpayment, proposed agency action, and the recipient's appeal rights. The Secretary should also direct the Commissioner to develop more useful and less subjective criteria for claims representatives to use in determining whether an overpaid recipient was with or without fault in causing the overpayment. GAO also recommended that when these recommendations are fully implemented and there has been further improvement in the SSI overpayment collection process, the Secretary should seek legislation to authorize offsetting overpayments against title II and other Federal benefit-paying programs.

Agency Comments/Action

HHS has developed improved instructions and provided training to field staff in overpayment resolutions. No action has been taken, or action has not been completed, on the remaining recommendations.

Appropriations

Supplemental Security Income Program - Department of Health and Human Services, Social Security Administration

Appropriations Committee Issues

The Committees should be concerned with the adequacy of the efforts undertaken by SSA to improve its collection of overpayments as well as to prevent overpayments.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

SOCIAL SECURITY ADMINISTRATION

Erroneous Supplemental Security Income Payments Result From Problems in Processing Changes in Recipients' Circumstances

(HRD-79-4, 2-16-79)

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604)
Legislative Authority: Social Security Act (42 U.S.C. 1381). Federal Records Act.

Eligibility for federally administered Supplemental Security Income (SSI) benefits is based on a continuing need for financial assistance. Once eligibility for assistance is established, recipients must report changes in income, resources, or other circumstances that could affect the recipient's benefit payment amount or continued eligibility. If any of this information is not promptly and correctly processed, payment errors will occur. These changes are referred to as posteligibility changes.

Findings/Conclusions: The Social Security Administration (SSA) estimates, based on its quality assurance data, that it erroneously overpaid about $1.7 billion and underpaid about $454 million in SSI benefits from January 1976 through September 1979. Most of the overpayments which occurred were attributed to problems that SSA has experienced in processing reported changes. Most of the local offices' problems result from lost records and a lack of adequate processing procedures, controls, and time frames. Controls needed to ensure that changes are either posted to Supplemental Security Records or rejected and later corrected by the field offices have not been established.

Recommendations: The Commissioner of SSA should improve the processing of changes to recipient payments by: establishing procedures, goals, and a system for controlling, processing, and monitoring posteligibility changes; developing pending files for controlling posteligibility changes that are not monitored through the District Office Workload Report; establishing procedures to insure that posteligibility information received is processed before it is filed; insuring that offices retain and dispose of documents in compliance with the SSA record retention and disposal schedule; requesting the National Archives and Records Service to help develop an effective records management program; and assessing the records management program to determine compliance with the Federal Records Act. The Commissioner should also establish appropriate controls to minimize problems associated with processing posteligibility changes and provide added assurance that prompt, effective action is taken by: initiating controls in the computer system to assure field offices that all posteligibility changes transmitted by them are either posted to the record or rejected; establishing controls over rejects so that the system can notify field offices when information in reject messages has not been corrected; evaluating the alert system to insure its effectiveness; reemphasizing to field offices the need to process rejects and alerts; and monitoring the field offices to insure that rejects and alerts are promptly and effectively processed.

Agency Comments/Action

SSA is planning to complete actions on those recommendations not implemented, principally enhancements in the SSI computer process. However, these actions are being delayed as a result of a reevaluation of systems tasks and resources at SSA.

Appropriations

Supplemental Security Income Program - Department of Health, Education, and Welfare, Social Security Administration

Appropriations Committee Issues

The Committees should be concerned with the adequacy of the action taken by SSA in implementing the GAO recommendations to significantly reduce overpayments caused by SSI recipients not reporting changes which affect their benefit payment amount or continued eligibility.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

SOCIAL SECURITY ADMINISTRATION

Need for HEW To Recover Federal Funds in Uncashed AFDC Checks (HRD-79-68, 4-5-79)

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604)
Legislative Authority: Social Security Act (42 U.S.C. 601).

A review was completed of the requirements and practices for refunding or crediting the Federal Government's portion of checks that were issued to Aid to Families with Dependent Children (AFDC) recipients but never cashed. Federal AFDC expenditures in fiscal year 1977 amounted to over $5 billion.

Findings/Conclusions: The return of Federal AFDC funds for checks that were never cashed was generally left to the States' discretion. Although GAO did not determine why the checks were not cashed, information obtained on 11 of the 50 States showed that these States allowed AFDC checks to be negotiated 30 days to 2 years after they were issued, at which time they were canceled. In addition, once States acted to void the checks, there was no mechanism to insure that the Federal Government received credit for its portion of these funds. The President's 1980 budget proposes a change in the procedure for transferring Federal funds to the States for public assistance programs, including AFDC. Presently, States are authorized to draw Federal funds on or before the day they pay their bills. For the AFDC program, this is generally when the States issue checks to recipients. Between the time the checks are issued and cashed by the recipients, many States invest the Federal funds and earn interest. Under the proposal, States would be authorized to draw Federal funds only when a recipient actually cashes the check and it is presented to the State's commercial bank for payment. When adopted and implemented, the procedure would also eliminate the problem of the Federal Government not receiving credit for its share of funds in uncashed AFDC checks.

Recommendations: The Secretary of the Department of Health, Education, and Welfare (HEW) should direct the Commissioner of the Social Security Administration (SSA) to: establish uniform requirements for States to credit the Federal Government for its portion of uncashed AFDC checks; establish a mechanism for insuring that these credits are timely and accurate; and take action to identify and recover the total amount of Federal funds in uncashed AFDC checks that have not been refunded to the Federal Government.

Agency Comments/Action

The Department of Health and Human Services has not published regulations establishing uniform requirements for States to credit the Federal Government for its portion of uncashed checks.

Appropriations

Aid to Families With Dependent Children Program - Department of Health and Human Services, Social Security Administration

Appropriations Committee Issues

The Committees should be concerned with the adequacy of SSA activities in establishing policy requiring States to remit to the Federal Government the Federal share of uncashed AFDC checks, and SSA efforts in identifying and recovering the total amount of Federal funds in uncashed AFDC checks that have not been refunded to the Federal Government.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

SOCIAL SECURITY ADMINISTRATION

Flaws in Controls Over the Supplemental Security Income Computerized System Cause Millions in Erroneous Payments

(HRD-79-104, 8-9-79)

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604)

Internal control weaknesses over the Social Security Administration's (SSA) computer system have resulted in over $25 million in erroneous benefit payments to Supplemental Security Income recipients. Administration of the Supplemental Security Income program depends on a highly complex computerized system.

Findings/Conclusions: Currently, over 4 million persons receive Supplemental Security Income benefits that are automatically computed based on the information housed in the computerized system's automated records. Since recipient information can change monthly, it must be closely controlled to make sure that correct benefit payment amounts are made. The SSA designed an automated exception control process to help assure that all Supplemental Security Income claims and post eligibility events are accurately entered and correctly posted to the computerized system's automated data base. However, the process does not always work, and inaccurate beneficiary data can be entered and used to compute benefit payment amounts. Instructions are inconsistent concerning the appropriate actions needed to correct inaccurate beneficiary data, thus causing confusion at field offices. Based on recipient records existing as of September 1978, it is estimated that about $20 million in erroneous payments have occurred in the Supplemental Security Income program because of inadequate controls in the automated data exchange with the Retirement, Survivors, and Disability Insurance computerized system.

Recommendations: The Secretary of the Department of Health, Education, and Welfare should direct the Commissioner of SSA to improve controls over the Supplemental Security Income program's computerized system by: (1) correcting deficient exception controls in the system; (2) improving the documentation of the system's exception control process at the field office level; (3) restricting the system override capability to supervisory personnel with appropriate authority to make these override decisions; (4) removing the data exchange override capability and the default on verification provision from the computerized system; (5) modifying the Retirement, Survivors, and Disability Insurance computer system to provide a complete payment record history; (6) modifying the Supplemental Security Income system to properly post Retirement, Survivor, and Disability Insurance eligibility decisions to all appropriate data segments in the computerized master record; (7) removing system limitations that necessitate the manual calculation and control of forced payment cases; (8) establishing more controls over forced payment cases, assuring that all posteligibility events affecting these cases are processed in a timely manner; and (9) reviewing existing forced payment cases to identify reasons for forced payment, verify accuracy of all payments made, and return cases not required to forced payment status as soon as possible.

Agency Comments/Action

SSA stated that it has taken action to implement the GAO recommendations.

Appropriations

Supplemental security income - Department of Health and Human Services, Social Security Administration

Appropriations Committee Issues

The Committees should assure themselves that the actions recommended in the GAO report have been taken by the Social Security Administration to stop the types of erroneous payments that were identified.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

SOCIAL SECURITY ADMINISTRATION

Social Security Should Obtain and Use State Data to Verify Benefits for All Its Programs (HRD-80-4, 10-16-79)

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604)

The integrity of the four social security programs which pay monthly benefits to aged and disabled persons and/or their survivors and dependents depends on recipients voluntarily reporting changes in their income, resources, and other eligibility circumstances. During fiscal year 1978, $257.4 million in payment errors were made because Supplemental Security Income (SSI) recipients provided inaccurate or incomplete information or failed to report changes in their circumstances.

Findings/Conclusions: While many programs at the State and local levels can affect Social Security Administration (SSA) programs, no SSA group has the responsibility for systematically organizing, coordinating, and directing a unified approach to obtain State data for use on all SSA programs. Principal efforts by SSA to verify State data have been in the SSI program and have consisted of trying to develop an informational exchange between State payment files and the SSI State data exchange record given the States for their use. The SSI program is the only program measuring overpayments and underpayments for failures of reporting. Although SSA has successfully obtained and verified benefit information from other Federal agencies to help minimize incorrect payments, little has been done to obtain information maintained by State and local governments which could be used to further reduce erroneous payments. Obstacles confronting SSA in obtaining State data include: no specific legislative requirements for States to provide the data, the large number of agencies within a State, and the degree of automation of State records.

Recommendations: The Secretary of Health, Education and Welfare (HEW) should direct the Commissioner of SSA to develop and implement a comprehensive national effort to obtain and use State and local data, noting (where appropriate) legislative and administrative impediments to obtaining such data. Significant impediments should be brought to the attention of Congress and/or HEW for resolution. In addition, SSA should be directed to immediately request California and New York assistance in obtaining unemployment compensation benefits, and should use these records as well as current Pennsylvania and Kentucky workmen's compensation data to verify the SSI and disability insurance records.

Agency Comments/Action

SSA efforts in obtaining and using State data have been temporarily delayed through FY 1982 because of other critical systems priorities.

Appropriations

Aid to Families With Dependent Children - Department of Health and Human Services, Social Security Administration
Supplemental Security Income Program - Department of Health and Human Services, Social Security Administration

Appropriations Committee Issues

The Committees should be concerned with the adequacy of the SSA request for funds to develop and integrate its automated computer payment records with information maintained by State and local governments. SSA should explain the full impact these data have on its program and the progress made and planned to implement the GAO recommendations.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

SOCIAL SECURITY ADMINISTRATION

Changes Needed To Prevent Commuters and Transients From Receiving Supplemental Security Income (HRD-80-15, 1-4-80)

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604)
Legislative Authority: Social Security Act. C.F.R. 416.

A review was made of the adequacy of the Social Security Administration's (SSA) policies, procedures, and practices for determining whether Supplemental Security Income (SSI) recipients remain outside the United States for 30 or more consecutive days and thus are ineligible for the benefits.

Findings/Conclusions: No significant problems were found in the SSA operation for detecting recipients outside the United States for 30 or more consecutive days. However, the concept of "resident in the United States" has not been sufficiently defined. Some SSI recipients receive payments while residing principally outside the United States, particularly along the Mexican border. The Social Security Act does not preclude a recipient from residing principally outside the United States for up to 29 days each month and remaining eligible for SSI benefits. Recipients become ineligible only when they are outside the United States for 30 consecutive days. There is a need to make the residency requirement more restrictive to preclude commuters, transients, and sojourners from receiving benefits.

Recommendations: The SSA should strengthen its policies and procedures to prevent individuals from receiving SSI while residing principally outside the United States. The Secretary of Health, Education, and Welfare should direct the SSA Commissioner to: (1) define and clarify the term "resident in the United States" to preclude SSI payments to commuters, transients, or sojourners; (2) establish a policy to accept Immigration and Naturalization Service (INS) determinations that aliens in commuter status live in Mexico and preclude SSI payments to such aliens until they are determined by INS to reside in the United States; and (3) revise claims manual guidance and make it more specific on types of evidence required by SSA border offices to verify residence, with emphasis being placed on the types of evidence that establish principal place of residence.

Agency Comments/Action

The Secretary of the Department of Health and Human Services agreed with the recommendations and advised GAO in April 1980 that: (1) regulations will be issued defining the term "residence of the United States" to make sure that SSI benefits are payable only to persons who live in the country; (2) field office operating instructions will be changed to recognize INS determinations of residency in the United States and to strengthen the types of evidence needed for determining place of residence. No action has been taken.

Appropriations

Supplemental Security Income Program - Department of Health and Human Services, Social Security Administration

Appropriations Committee Issues

The Committees should monitor the progress made by SSA to fully implement the GAO recommendations.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

SOCIAL SECURITY ADMINISTRATION

Need To Prevent Windfall Benefits to Supplemental Security Income Recipients (HRD-80-44, 5-30-80)

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604)
Legislative Authority: Social Security Amendments of 1972. Social Security Act. Veterans' Pension Act of 1959. P.L. 95-588. H.R. 4904 (96th Cong.). H.R. 3236 (96th Cong.). 42 U.S.C. 1381. Social Security Disability Amendments of 1980. P.L. 96-265.

The Social Security Administration (SSA) is required to determine Social Security Income (SSI) eligibility and benefit payment amounts on a quarterly basis. It computes benefits based on the income a recipient expects to receive over a projected 3-month period. Basic benefits are reduced dollar for dollar for countable income. Windfall benefits occur when other retroactive income covering prior quarters is received in a current quarter and is greater than the current quarter's SSI benefits. The Social Security Act does not provide for the recovery of these windfall payments creating a program of inequity which allows recipients of large retroactive payments to receive more SSI benefits than recipients who receive a similar amount of non-SSI income on a current monthly basis. Legislation has been proposed which would partially solve the problem.

Findings/Conclusions: During fiscal year 1977, SSI recipients received windfall benefits totaling an estimated $43.6 million as a result of receiving retroactive social security retirement, survivors, or disability benefits. Windfall benefits continue as a result of retroactive income from these as well as other sources, including veterans' compensation and pensions, and railroad retirement benefits. The present Social Security Act only permits SSI payments to be reduced for the calendar quarter that other income is actually received. Legislation authorizing other Federal benefit programs does not provide for reducing retroactive benefits paid to individuals receiving SSI to offset windfall benefits. By limiting other income benefits to that which the individual would have been entitled had the other income payments been current, equal treatment could be provided to all SSI recipients. While SSA officials believe many windfall benefits resulting from retroactive social security payments can be handled administratively if the proposed legislation is enacted, some cases will continue to occur when SSI retroactive payments are made after retroactive social security payments. The Department of Health, Education, and Welfare (HEW) should determine the extent of windfall benefits that occur when SSI recipients receive retroactive payments from other Federal benefit-paying programs and, if significant, assess the need for additional legislation to prevent windfall payments from occurring.

Recommendations: If the proposed legislation presently pending before Congress is passed, the Secretary of HEW should direct the Commissioner of SSA to take the necessary administrative action to change processing of concurrently filed claims to reduce the number of windfall benefits paid to SSI recipients receiving retroactive social security payments before retroactive SSI payments, and advise Congress whether additional legislation is needed to eliminate all windfall benefits to (1) SSI recipients who receive retroactive social security benefits before retroactive SSI benefits, and (2) SSI recipients who receive retroactive benefits from other Federal benefit-paying programs, such as Veterans Administration or the Railroad Retirement Board. Favorable consideration should be given to the proposed section 303 of H.R. 4904 allowing the Secretary of HEW to offset excess SSI windfall benefits against retroactive social security benefits.

Agency Comments/Action

On June 9, 1980, the Social Security Disability Amendments of 1980 (P.L. 96-265) was approved. This authorized the offset of excess SSI windfall benefits against retroactive social security benefits, as recommended. Commenting on the report, the Department generally agreed with the findings and recommendations and said that, where possible, it would sequence payment of retroactive SSI and Social Security checks so as to minimize windfall payments. The Department also agreed to assess the need for additional legislation to eliminate windfall payments resulting from the sequencing process. GAO believes the Department should complete its assessment of the need for additional legislation as soon as possible, and report to Congress.

Appropriations

Supplemental Security Income Program - Department of Health and Human Services, Social Security Administration

Appropriations Committee Issues

The Committees should monitor progress made to implement the GAO recommendations to insure that: windfall benefits are eliminated to the extent possible; remaining windfall benefits are qualified; and appropriate congressional action is initiated to minimize them.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

SOCIAL SECURITY ADMINISTRATION

Better Management Information Can Be Obtained From the Quality Control System Used in the Aid to Families With Dependent Children Program

(HRD-80-80, 7-18-80)

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604)
Legislative Authority: Social Security Act (42 U.S.C. 601). Social Security Amendments of 1977 (P.L. 95-216). Food Stamp Act of 1977. P.L. 96-38.

Over $900 million paid to poor families under the Aid to Families with Dependent Children program was paid in error during 1978. This estimate includes overpayments to eligible families and payments to ineligible families and is based on data reported by the quality control system. The quality control system was established to improve the program's administration by identifying errors and developing corrective actions to eliminate them. The system is also the basis for fiscal sanctions against States for erroneous payments in excess of error tolerance levels. There is a congressional conference directive for sanctions based on quality control error rates. Fiscal sanctions create an adversary relationship between the Federal Government and the States at a time when a cooperative effort is needed to reduce errors. Using the quality control system as the basis for sanctions limits the system's value as a means for improving payment processes. Because a high error rate will result in sanctions, there is an incentive to identify fewer errors. To be most effective, the quality control system should identify as many errors as possible giving management more information to develop corrective action plans. Among the weaknesses noted in the program were: both State and Federal quality control reviews differ from State to State and Federal region to region reviews; some case reviews include extensive verification of eligibility and grant amount factors, while others rely heavily on statements by recipients; the agency has recognized the differences between quality control reviews but has not determined how this affects the identification of incorrect payments; agency regional offices do not follow consistent procedures, and the agency has no assessment system for its regional offices' quality control functions; the quality control program does not provide for reporting incorrect payments of less than $5 or those caused by changes in circumstances that occur during the payment review month or the month before; the system provides for reporting only one error cause per case even if there are several; and quality control data were not being adequately analyzed at either the State or Federal level.

Findings/Conclusions: Efforts to sanction high error in States based on quality control error rates should be discontinued. Instead of sanctioning States, the Federal Government should provide more assistance in error reduction efforts. The Appropriations Committees should play a role in discontinuing this effort. Although the Aid to Families with Dependent Children quality control system has led to improvements in the program, the system itself needs improvement. The agency needs to make sure that all States make adequate efforts to determine the correctness of program payments and that its regions make their reviews of State quality control cases uniformly. The agency's planned changes in its quality control procedures manual, if properly implemented, should help correct these problems so that reviews can be made on a comparable basis. The agency's current monitoring of State and Federal quality control performance also needs improvement. If the quality control system reported and compiled incorrect payments of less than $5, those occurring because of changes during the administrative period, and secondary errors, the managers would have additional useful information for developing corrective actions to reduce incorrect payments. There is insufficient analysis to identify the specific causes of errors. States need time to make the necessary analyses, and the agency needs to place more emphasis on data analysis.

Recommendations: The Secretary should: assess regional quality control procedures to insure adequacy and consistency and establish guidelines for reviews of State quality control cases by the Health and Human Services regional offices, including criteria for making home visits to recipients and third-party verifications; increase regional monitoring and periodic assessments of State quality control operations as well as Health and Human Services monitoring of its regional quality control operations; change the Federal regulations to require reporting of incorrect payments of less than $5 and those occurring because of changes during the administrative period; require the States to report all causes of incorrect payments detected during the quality control review process; encourage the States to perform more detailed analyses of quality control data to identify the causes of errors and provide management with better information for developing corrective actions; and require the Commissioner of the Social Security Administration to perform more analyses and special studies of quality control data to identify appropriate corrective actions for assisting States in their error reduction efforts. The House and Senate Appropriations Committees should retract a congressional conference directive for Federal fiscal sanctions against the States based on the Aid to Families With Dependent Children quality control error rates.

Agency Comments/Action

No action has been taken on the recommendations.

Appropriations

Aid to Families With Dependent Children Program - Department of Health and Human Services, Social Security Administration

Appropriations Committee Issues

The House and Senate Appropriations Committees should retract a congressional conference directive for Federal fiscal sanctions against the States based on the Aid to Families With Dependent Children Program quality control error rates. There is an incentive to identify fewer errors because of fiscal sanctions. Fiscal sanctions limit the quality control system's value in bringing about improvement in payment processes. The Committees should also be concerned with the adequacy of the Department of Health and Human Service's efforts to implement recommendations made to them.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

SOCIAL SECURITY ADMINISTRATION

HHS Ability To Effectively Implement Incentive Funding for State Information Systems in the Aid to Families With Dependent Children Program

(HRD-81-119, 6-29-81)

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604)
Legislative Authority: P.L. 96-265. OMB Circular A-90. FIPS Pub. 41. FIPS Pub. 71. FIPS Pub. 73.

New legislation authorized the Federal Government to begin paying 90 percent of the costs incurred by States for the planning, design, development, or installation of Statewide mechanized claims processing and information retrieval systems for administering the Aid to Families with Dependent Children (AFDC) program. Currently, the Federal Government pays 50 percent of both development and operating costs related to these systems. The legislation contains several specific conditions for obtaining increased Federal funds. To meet these requirements, the Department of Health and Human Services (HSS) has developed a general systems design, the Family Assistance Management Information System (FAMIS), which provides a standard approach for State AFDC systems development activities. FAMIS is to serve as a system standard that States must meet to be eligible for the increased Federal matching funds. Because FAMIS has not been pilot tested to demonstrate its feasibility, GAO has expressed concern that the FAMIS requirements: (1) have not been shown to be cost beneficial for all State systems, (2) do not contain sufficiently specific performance standards for evaluating the quality of State developed systems, (3) do not adequately address the internal controls needed to ensure that State systems function as mandated by legislation, and (4) do not facilitate compatibility of State AFDC systems with systems used to administer other welfare programs. Therefore, GAO reviewed HHS policies and procedures for approving the administration of Federal incentive funding of State AFDC systems and discussed their implementation with HHS officials.

Findings/Conclusions: The cost benefit analysis conducted to demonstrate that savings would result from implementation of FAMIS on a State-by-State basis was based on unsupported assumptions and very general data which do not consider the diversity among States in quality of program administration, size, and complexity. GAO does not believe that there is adequate cost-benefit analysis justification for FAMIS. The performance standards currently included in the FAMIS general systems design are inadequate for assisting the States in meeting the basic requirements of the law to design efficient and effective systems to administer the AFDC program. In addition, the performance standards are inadequate for evaluating whether State systems are performing efficiently and effectively. The general systems design fails to address or inadequately addresses the internal controls that States should design into their systems in order to produce timely and reliable information. Although the legislation also requires that State AFDC systems must be compatible with systems used to administer Social Service programs and Medicaid, GAO believes that FAMIS does not facilitate the development of integrated systems and, thus, does not provide guidance to States on how FAMIS can be incorporated into integrated systems in existence or under development.

Recommendations: The Secretary of HHS should direct that requirements are developed to ensure that States which have county administered programs minimize the impact of county differences on FAMIS development. These requirements should include provisions for predeveloped assessments of county differences and for formal agreements between the State and counties on the implementation of a statewide FAMIS-type system. The Secretary of HHS should direct HHS to develop requirements to prevent expensive county-by-county implementation of State systems. The Secretary of HHS should defer implementing P.L. 96-265 nationwide until the FAMIS general systems design is fully tested in several States which have differences in program complexity, caseload size, and program administration. The Secretary of HHS should direct that HHS develop cost-benefit data on the FAMIS system that applies to States with different caseloads and error rates. The Secretary of HHS should direct that HHS expand the FAMIS general systems design to include adequate internal controls which would assist the States in meeting the requirements of the law. The Secretary of HHS should direct that HHS develop performance standards for assisting States' system development activities and for evaluating State systems developed in accordance with the FAMIS general systems design. The Secretary of HHS should direct that HHS identify ways to enhance the FAMIS general systems design so that it can be used as an integrated system for processing AFDC, Medicaid, Food Stamps, and Social Services program activities.

Agency Comments/Action

As of October 26, 1981, HHS had not responded to the report. However, indications are that SSA does not intend to implement the GAO recommendations.

Appropriations

Aid to Families With Dependent Children - Department of Health and Human Services, Social Security Administration

Appropriations Committee Issues

The Committees should consider questioning SSA about its ability to properly implement P.L. 96-265 because of the program weaknesses discussed in this report.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

SOCIAL SECURITY ADMINISTRATION

States' Efforts To Detect Duplicate Public Assistance Payments (HRD-81-133, 9-17-81)

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604)
Legislative Authority: Social Security Act.

At the request of a Senate committee, GAO obtained information concerning the efforts of the States to make comparisons of their public assistance rolls for the detection of duplicate payments. GAO also analyzed the Aid to Families with Dependent Children (AFDC) program in four States to determine the extent to which duplicate enrollments and payments occurred, undetected, in these States.

Findings/Conclusions: GAO sent questionnaires to the 50 States, the District of Columbia, Guam, Puerto Rico, and the Virgin Islands and received responses from all of them. The replies indicated that about half of the States had made efforts to compare their public assistance rolls on an intrastate basis for identification of duplicate payments. Because the frequency, thoroughness, and amount of available information on the results of these efforts varied significantly from State to State, GAO was unable to draw an overall conclusion on the success of these efforts in identifying duplicate payments. The GAO analysis of all 1979 AFDC cases in the four States selected indicated that duplicate enrollments existed which may have resulted in undetected duplicate payments. Because of the number of cases identified, GAO did not determine how many actually involved duplicate payments, but provided the Health and Human Services (HHS) Inspector General with lists of these cases for detailed investigation and resolution. Further, the ability to identify the amount of AFDC duplication was hampered by invalid and missing information in the four States' AFDC computerized beneficiary records. Most of the data element errors that were found dealt with invalid social security numbers which could disguise duplicate enrollments and hinder their identification. Conversely, AFDC cases having identical beneficiary social security numbers could give the appearance of duplication when in fact two different people may be involved.

Recommendations: The Secretary of HHS should direct the Commissioner of Social Security to give the States a list of the valid ranges of social security numbers for the States' use in checking numbers provided by AFDC beneficiaries. The Secretary of HHS should direct the Commissioner of Social Security to determine why Illinois has so many incorrect social security numbers in its AFDC computerized system. The Secretary of HHS should direct the Commissioner of Social Security to require Illinois to modify its system to prevent the inclusion of beneficiary records with erroneous social security numbers and missing last names. The Secretary of HHS should direct the Commissioner of Social Security to instruct Illinois to correct the erroneous data currently on file. The Secretary of HHS should direct the Commissioner of Social Security to require Tennessee to update AFDC beneficiary data when dependent children are born to eliminate the designation of "unborn" in children's records. The Secretary of HHS should direct the Inspector General to follow up on State efforts to resolve the potential duplicate AFDC cases that GAO referred to the Inspector General and report on the disposition of these cases.

Agency Comments/Action

HHS stated that substantive improvements had been made or were planned in internal controls over State AFDC systems since GAO began this review which are not reflected in the 1979 case records GAO examined. States can now obtain bimonthly verifications of social security numbers from the Social Security Administration and have been provided a list of ranges of all social securtiy numbers that have been issued. HHS agreed to work with Illinois and Tennessee to correct the erroneous data curently on file and HHS will monitor State efforts to resolve the potential duplicate cases referred to the Inspector General.

Appropriations

Aid to Families with Dependent Children - Department of Health and Human Services, Social Security Administration

Appropriations Committee Issues

Computer matching of AFDC beneficiary names, social security numbers, addresses, dates of birth, and sex can identify duplicate and erroneous payments. The Committees should assure that States periodically use this or an equivalent technique so that funding to the States is prudently spent.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

The Work Measurement System of the Department of Housing and Urban Development Has Potential but Needs Further Work To Increase Its Reliability

(FPCD-77-53, 6-15-77)

Budget Function: General Government: Central Personnel Management (0805)

GAO reviewed the Department of Housing and Urban Development's (HUD) work measurement system.

Findings/Conclusions The original claims by HUD of extensive standards were not justified, as revised statements showed that standards were used to develop estimates for only about 42 percent of staff requirements. The reliability of standards varied because of weaknesses such as: (1) lack of studies on methods for achieving work efficiency, (2) variation in data produced by the questionnaire/interview procedures, (3) insufficient definition of tasks, (4) use of subjective judgments, (5) lack of documentation, and (6) lack of procedures to review and update standards. Discrepancies were noted in workload forecasts with some appearing excessive and some being understated when compared with prior years' accomplishments. The budgeting process seemed to inhibit reliable staffing estimates and to allow the use of contract personnel.

Recommendations: HUD should improve practices for developing work measurement standards by (1) performing methods studies on task efficiency, (2) improving data collection and analysis, (3) defining tasks in greater detail, (4) assuring independence of individuals setting standards, (5) improving documentation, (6) formalizing a process for reviewing and updating standards, and (7) reevaluating staff resources to develop and maintain the system. The Subcommittee on HUD-Independent Agencies should encourage HUD to develop a more objective and reliable work measurement system, and require that the budget submission include a comprehensive plan and statement on the progress made in the system's development.

Agency Comments/Action

HUD has implemented some of the GAO recommendations and plans to initiate others to improve the reliability of its work measurement system.

Appropriations

Salaries and expenses - Office of Personnel Management
Operation and maintenance - Department of Housing and Urban Development

Appropriations Committee Issues

In future authorization and appropriation requests, the Committees should assess the HUD progress toward improving the coverage and reliability of its work measurement system.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Delays in Implementing the Department of Housing and Urban Development's Accounting System for its Mortgage Insurance Program
(FGMSD-80-37, 3-9-80)

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (1101)
Legislative Authority: Government Corporation Control Act.

GAO reviewed the Department of Housing and Urban Development's Mortgage Insurance Accounting System (HUDMIAS), which is currently under development to support the Department's multibillion dollar mortgage insurance program. The new accounting system is essential to improve the mortgage insurance activities of the Department of Housing and Urban Development (HUD). The primary users of the new system's data will be the Assistant Secretary for Administration and the Assistant Secretary for Housing. The data will be used to fulfill accounting requirements, to provide more effective techniques and procedures to accomplish fiscal servicing, and to perform mortgage insurance functions promptly. The system's development has cost the Government in excess of $23 million over the $4.6 million originally estimated and more than 4 years delay in implementation.

Findings/Conclusions: The system's development has been plagued with problems that could have been minimized through more effective management controls, such as more frequent formal evaluations of and reports on the system's development progress and costs. Although greater emphasis is being placed on needed improvements in the system's development, action should be taken to enhance the chances of implementation of HUDMIAS within the current milestones, as implementation within the current schedule may still provide opportunities for an increased benefit/cost ratio.

Recommendations: The Secretary of HUD should: (1) require adequate studies of future design tasks to fully establish their magnitude and complexity, and specify that any future contracts for such tasks contain a detailed description of the task to be performed; (2) instruct the project managers to consider all feasible alternatives when making any future design changes and document the basis for alternatives selected; (3) have the system's design elements integrated and tested sequentially, as appropriate, to ensure that unforeseen problems are identified and corrected as quickly as possible; and (4) formalize a system for accumulating the system's development costs required for management purposes and ensure that the system contains appropriate controls to provide for accurate accumulation of all relevant costs.

Agency Comments/Action

HUD agreed with the GAO recommendations. Appearing before the House Appropriations Committee in April 1980, HUD officials stated that most of the recommendations had been implemented or were being considered for implementation after the system becomes operational.

Appropriations

Salaries and expenses - Department of Housing and Urban Development

Appropriations Committee Issues

The Committees should require HUD to submit status reports on the system's development costs and progress. Significant variances from the established cost and time milestones should be explained.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Housing and Urban Development's Efforts To Improve Its Accounting System for Mortgage Insurance Premiums (FGMSD-80-27, 3-19-80)

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (1101)

GAO reviewed the action taken by the Department of Housing and Urban Development (HUD) to improve its system for billing and collecting mortgage insurance premiums. The review concentrated on the effectiveness of actions taken to reduce the amount of delinquent premiums.

Findings/Conclusions: HUD has not been sufficiently aggressive in collecting the millions of dollars in premiums that mortgage institutions owe. Controls over the delinquent premiums were expected to be drastically improved once a new automated system was implemented in September 1979. However, design changes have caused delays and the system is not scheduled for implementation until 1982. Because of this, HUD has started making long-needed improvements to its existing accounting system. Procedures currently used are inconsistent with those followed in the private sector and could keep some mortgagees from knowing about delinquencies for years. HUD also had difficulty collecting the application fees that homeowners actually paid in advance from the mortgagees. This problem could be mitigated by requiring the mortgagee to pay the fees when the application is accepted rather than waiting until related documents are processed through the system.

Recommendations: In order to correct the deficiencies noted, the Secretary of HUD should: perform a mortgage reconciliation with each mortgagee, revise the billing system to include all delinquent as well as current premiums due on the anniversary date, send an acknowledgement to the mortgage holder which lists all delinquent premiums owed on the mortgage each time a mortgagee or servicing agent is changed in the master file, refrain from canceling current or delinquent premiums until receiving notification that all valid receivables that were due the Government when the insurance was canceled were in fact collected, and aggressively pursue the collection rather than the liquidation of valid delinquent premiums.

Agency Comments/Action

HUD generally agreed with the recommendations and planned action on some of them. HUD indicated that it would be too expensive to implement the recommendations pertaining to (1) sending delinquent premium acknowledgments to new mortgage holders, and (2) ceasing premium cancellation.

Appropriations

Salaries and expenses - Department of Housing and Urban Development

Appropriations Committee Issues

Similar recommendations were made in 1977 by GAO. If the recommendations are not implemented within a reasonable time, the Committees should require HUD to submit a report showing why implementation would not be cost-effective.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Unsupported Yearend Obligations Overstate the Progress of Assisted Housing (PSAD-80-41, 4-30-80)

Budget Function: General Government: Central Fiscal Operations (0803)
Legislative Authority: Congressional Budget Act of 1974. 31 U.S.C. 200.

GAO believes that a substantial portion of the yearend obligations reported by the Department of Housing and Urban Development (HUD) since fiscal year 1976 for the "Annual Contribution for Assisted Housing" appropriation account have been invalid because they did not meet the statutory test of legal sufficiency. In a subsequent year, HUD deobligated many of the invalid obligations of prior years and reobligated the amounts involved. GAO was unable to determine how much was deobligated from each year prior to fiscal year 1979, but agency officials indicated that they expected several billion dollars in deobligations in the current fiscal year.

Findings/Conclusions: GAO found that HUD had a $16.5 billion surge in obligation in the last month of fiscal year 1978 in the assisted housing account. HUD recorded obligations when in reality there was no legal obligation on the part of the Government. Subsequently, a portion of the reported obligations were deobligated and reobligated providing HUD with significant amounts of obligational authority in excess of that indicated by its financial reports. Obligations for the account were based on notification and reservation letters which advised housing project sponsors that their projects were tentatively selected for funding. GAO believes that the letters are not legally sufficient to constitute obligations and that HUD could have misled Congress on its needs for additional budget authority by understating the balance available for obligation. The practice gives the impression that HUD has carried out its mission by actually contracting for assisted housing to a greater extent than it has. HUD maintains that the extent of the deobligations in relation to obligations is not nearly as high as is implied by the data and that less than 10 percent of the obligations fail to result in contracts with the intended parties. It advises that the method is used because it believes that it could be liable to a recipient of a reservation letter if the recipient incurred costs in relation to the project and HUD later withdrew the reservation. GAO believes that, because the document clearly states that it is not a legal obligation, the HUD procedure serves only to inflate the amount of reported obligations.

Recommendations: The Secretary of HUD should conduct a complete review of this account from fiscal year 1976 to determine valid obligations based on contracts. The HUD Inspector General's office should validate the results of the review. The Secretary should direct that HUD record obligations on the basis of executed contracts and that a cumulative, including fiscal years 1976, 1977, and 1978, corrected Yearend Closing Statement be prepared for fiscal year 1979 and certified to by the responsible HUD officer as required by law.

Agency Comments/Action

HUD agreed to implement the GAO recommendations and to make the necessary changes to provide full disclosure to Congress on the status of obligations. However, HUD has not set a specific target date for completing the task and, historically, it has taken a long time to complete tasks of this nature.

Appropriations

Assisted housing - Department of Housing and Urban Development

Appropriations Committee Issues

Based on fiscal year 1979, HUD deobligations of about $7 billion were not reported to Treasury, OMB, or Congress. The method now used by HUD (recording obligations based on reservation and notification letters) allows many billions to be warehoused as obligations, when in fact they are not valid obligations as required by law. Rather, they are commitments which may or may not mature into obligations with the original recipient. From an accounting perspective, to meet the test of usefulness as well as full disclosure, commitments such as reservation and notification letters should be shown separately as commitments in budgetary and financial reports, and not commingled with obligations, in order to be properly understood not only by management and Congress, but the public as well. The Committees may wish to ask the Secretary of Housing and Urban Development to provide a deadline for implementing the GAO recommendations, and submit status reports explaining the reasons for any lengthy delays.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HUD Should Make Immediate Changes in Accounting for Secretary-Held Multifamily Mortgages (FGMSD-80-43, 5-16-80)

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (1101)

The Department of Housing and Urban Development (HUD) holds over 2,000 multifamily mortgages valued at about $3.7 billion. These Secretary-held mortgages were either returned from commercial lenders after mortgagors defaulted on their insured mortgages or resulted from HUD selling property it had previously acquired.

Findings/Conclusions: As of September 30, 1979, HUD reported that $500 million in payments on multifamily mortgages was delinquent. Numerous problems have contributed to the high amount of delinquency. These included several accounting system weaknesses that prevented adequate information from being available to properly service individual mortgages and to promptly and accurately pay property taxes. Also, incentives were lacking to encourage mortgagors to make payments under revised payment plans (workout agreements) to prevent foreclosure.

Recommendations: The Secretary of HUD should direct that the accounting and servicing functions of HUD be changed so that: (1) servicing personnel receive information on mortgagors' payment status under the terms of workout agreements; (2) an interim billing system is established for newly assigned mortgages; (3) late charges are assessed on payments overdue under the mortgages or the workout agreements; (4) inventories of the responsible headquarters' offices and the field offices are reconciled periodically; (5) the responsibility to obtain tax bills on multifamily projects is transferred to the field offices; (6) records of the taxing authorities and HUD are reconciled periodically; (7) workout agreements that provide for a specific payment amount are established within 90 days after receiving a defaulted mortgage; (8) field offices are required to obtain adequate financial statements when they are not submitted promptly or fail to meet HUD regulations; (9) servicing personnel are further trained in financial statement analysis; and (10) aggressive action is taken to obtain repayment of project funds that have been diverted.

Appropriations

Federal Housing Administration Fund - Federal Housing Administration

Appropriations Committee Issues

The Senate Committee has been and should continue to monitor HUD progress in implementing the GAO recommendations.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Evaluation of Alternatives for Financing Low and Moderate Income Rental Housing (PAD-80-13, 9-30-80)

Budget Function: Community and Regional Development: Community Development (0451)
Legislative Authority: Housing Act (42 U.S.C. 1437). 42 U.S.C. 1437f. 42 U.S.C. 1437i. 42 U.S.C. 1437i(b).

Over the past 10 years, financing of Government-subsidized housing has changed from the more traditional and well-understood financing methods to more unusual combinations of the basic building blocks of the older programs. The new mechanisms, created to overcome the problems of older programs, have resulted in higher costs and some new problems. New and old alternatives for financing subsidized multifamily housing were compared in terms of: total costs over the lives of projects; operating lives of subsidized units; risk of financial failure; adequacy of incentives to lenders, builders, and investors; and tenant groups served. The alternatives studied included the conventional public housing program; private lending insured by the Federal Housing Administration (FHA); State housing agency financing using tax-exempt bonds and private ownership; financing by public bodies who issue tax-exempt bonds under section 11 of the National Housing Act; and certain subalternatives and combinations of these methods. Except for public housing, each financing alternative uses rental assistance payments from the Department of Housing and Urban Development (HUD) under section 8 of the National Housing Act. A more detailed comparison was made of the two important section 8 alternatives, lending insured by FHA and State agency tax-exempt financing.

Findings/Conclusions: The long-term costs of providing housing through public housing and FHA insurance alternatives are much lower than the State housing and section 11 options. The section 8 program is expected to have fewer failures than past FHA subsidized programs because it uses fewer nonprofit sponsors, subsidizes less rehabilitation, and produces fewer projects for families. Construction and early operation are the most risky periods in a project's life; good monitoring by the lender should reduce risk. Generally, State agencies serving as lenders are better managers of risk than private lenders. While the financing alternatives studied provided the necessary enticements to encourage housing production, shortcomings still exist. Section 8 was designed to serve a wide range of eligibles, but the housing produced under it has primarily been serving elderly and small nonelderly families; little section 8 housing being built will accommodate families with children or large households. Only a small share of housing assistance is going to eligible nonelderly households above the poverty line who have difficulty finding good housing at affordable rents. FHA insured financing is much less costly than State agency financing, even when the cost of more expected failures is considered.

Recommendations: HUD should provide budget estimates to Congress which show all major costs over an expected subsidy life discounted to reflect current year dollars. It should also develop a strategy to overcome some of the problems of producing family housing. This might be done by eliminating some of the incentives favoring elderly housing such as the higher fair market rents granted elderly housing. In addition, HUD should take steps to target some housing at the working poor. To decrease the cost of subsidizing tenants who live in projects financed by State housing finance agencies, HUD should require State agencies to produce full rent comparability tests which should be subject to HUD review and approval. Since State agency risk avoidance is probably encouraged by the agency role as a lender without insurance, HUD should avoid granting mortgage insurance to projects financed by State agencies. Congress should take the following steps to improve oversight and insure greater equity for families and the working poor: require HUD to report periodically to the housing oversight committees during the next 2 years on how well the needs of families and nonpoverty lower income households are being met by the various housing programs; and enact legislation requiring that some percentage of housing assistance funds go to nonelderly households and particularly larger eligible households above the poverty threshold.

Agency Comments/Action

HUD made extensive comments on this report, disagreeing with many of the GAO recommendations but promising to make changes, some of which have already been made. One major point which HUD stressed in its comments to GAO was that section 8 was an excellent method for providing low and moderate income housing, but that a variety of finance mechanisms were desirable. GAO agreed with this conclusion and did not recommend doing away with section 8. However, greater emphasis on public housing and the section 8 FHA Tandem alternative could result in substantial savings while other section 8 program changes, which are being made, can improve program effectiveness.

Appropriations

Subsidized rental housing for low- and moderate-income households - Department of Housing and Urban Development, Federal Housing Administration

Appropriations Committee Issues

Conventional public housing is the least expensive way to finance subsidized housing because (1) it is publicly held housing and therefore does not incur the hidden cost of tax revenue foregone due to depreciation deductions, and (2) the debt service is lower due to the lower interest rate on tax-exempt bonds resulting from the Federal bond guarantee. The two most costly financing methods are state housing finance agencies' use of tax-exempt bonds and section

11(b) financing. Both of these alternatives incur high Federal tax revenue losses and costly depreciation allowances. HUD should increase the proportion of assisted units produced under the public housing mechanism which is the least costly alternative. This type of shift could only be achieved if Congress adjusted present funding levels. HUD should also adjust section 8 fair market rents or approved contract rents to reflect the high debt service needed for use of ratable bonds. The Secretary of HUD should encourage the use of mortgage-backed securities to finance section 8 housing because the greater security and attractiveness to investors of purchasing securities, as opposed to holding project mortgages, should allow a lower net cost of borrowing, and subsequently, a lower total subsidy.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HUD Not Fulfilling Responsibility To Eliminate Lead-Based Paint Hazard in Federal Housing (CED-81-31, 12-16-80)

Budget Function: Community and Regional Development: Community Development (0451)
Legislative Authority: Lead-Based Paint Poisoning Prevention Act. Tort Claims Act.

GAO was asked to review the Department of Housing and Urban Development's (HUD) administration of its research and program responsibilities under the Lead-Based Paint Poisoning Prevention Act. This Act and subsequent amendments authorized HUD to conduct research on the nature and extent of childhood lead paint poisoning and to develop cost effective techniques for eliminating lead paint from houses. Although some evidence suggests that the incidence of lead poisoning in children is declining, an estimated 150,000 to 200,000 young children have undue amounts of lead in their bodies.

Findings/Conclusions: In its review, GAO found that HUD is not fully complying with many of its own regulations and procedures directed at eliminating the hazards of lead-based paint in federally assisted housing. It needs a new agenda for its research into the problem, better administrative procedures, and a stronger commitment to eliminating lead hazards in housing. Although 9 years and $9 million of HUD-sponsored research have yielded innovative lead paint abatement products and techniques, their high cost has prevented any of them from having a practical use. Moreover, several unresolved issues still exist regarding the responsibility of HUD to research the nature and extent of childhood lead paint poisoning. Finally, HUD regulations and procedures for eliminating lead paint hazards in housing contain many limitations, which include: (1) limiting its regulations to correcting only peeling or chipping paint; (2) inspecting and eliminating lead paint only when dwelling units change occupancy; (3) notifying tenants of lead paint hazards only in pre-1950 dwelling units; and (4) not clarifying the issue of whether or not the hazard elimination program is limited to pre-1950 housing.

Recommendations: The Secretary of HUD should direct all Assistant Secretaries having lead-based paint programs to take steps to fully involve all offices in current and future program activities. The Secretary of HUD should direct those Assistant Secretaries having programs subject to lead-based paint regulations to take immediate steps to notify all appropriate HUD-associated housing tenants of the hazards of lead-based paint. The Secretary of HUD should assess the costs and benefits of alternative regulatory strategies in terms of creating regulatory language that not only fully satisfies the congressional mandate but also allows the most effective use of limited funds to eliminate lead paint hazards from HUD-assisted housing. The Secretary of HUD should direct those Assistant Secretaries having programs subject to lead-based paint regulations to revise program instructions to assure that they are consistent, include appropriate enforcement provisions, and are understood by individuals responsible for carrying out lead-based paint regulations. The Secretary of HUD should direct those Assistant Secretaries having programs subject to lead-based paint regulations to establish goals and priorities for carrying out the HUD lead-based paint responsibilities as part of an over-all department strategy for addressing lead-based paint hazards in HUD-associated housing. The Secretary of HUD should establish a strong central monitoring office with the authority and resources to properly evaluate and report on program compliance. Program Assistant Secretaries should develop an adequate management reporting system on hazard inspection and elimination and tenant notification. The Secretary of HUD should direct the Assistant Secretary for Policy Development and Research to develop a lead-based paint research agenda that represents the needs of all offices administering lead-based paint programs.

Agency Comments/Action

The May 14, 1981, letter from HUD in response to this report promised to fully analyze the lead-based paint program with a view toward developing alternatives for meeting legal mandates in the most cost-effective manner and to make several management improvements addressed by GAO. HUD agreed with the deficiencies noted in the report. Since issuance of the report, HUD has taken steps to implement the GAO recommendations but has not yet fully implemented any recommendations.

Appropriations

Research and program activities, Lead-Based Paint Act - Department of Housing and Urban Development

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HUD's Payment of Distributive Shares From the Mutual Mortgage Insurance Fund (CED-81-44, 2-9-81)

Budget Function: Commerce and Housing Credit: Mortgage Credit and Thrift Insurance (0371)
Legislative Authority: Housing Act.

The Mutual Mortgage Insurance Fund allows single-family homes to be purchased with small downpayments and long-term mortgages and insures lenders against loss from defaulted mortgage loans. The Department of Housing and Urban Development (HUD) is required to pay dividends (distributive shares) from the Fund to eligible mortgagors when their mortgages are paid in full. A review was performed of HUD efforts to pay distributive shares to mortgagors.

Findings/Conclusions: The procedures used by HUD for paying distributive shares were found to be ineffective. The portion of unpaid shares has substantially increased in recent years. According to HUD, the increase in unpaid shares is due largely to an inability to locate mortgagors after their mortgages are paid off. Many of the notices of shares due sent by HUD are returned as undeliverable because mortgagors have since moved. Since HUD has no forwarding addresses for these mortgagors, it is often unable to inform them of distributive shares due. GAO found that current procedures do not instruct mortgagees to inform mortgagors about distributive shares from the Fund. Consequently, most mortgagors contacted by GAO stated that they had been unaware of any refund due them until they received the HUD notification of a distributive share due.

Recommendations: The Secretary of HUD should instruct the Director of Mortgage Insurance Accounting to request mortgagors' social security numbers on termination requests and use the IRS mail forwarding service as an alternate means of locating mortgagors when routine procedures fail. The Secretary of HUD should instruct the Director of Mortgage Insurance Accounting to develop a fact sheet explaining premium refunds for mortgagees to give to mortgagors both at the time of loan origination and at insurance termination.

Agency Comments/Action

HUD has agreed to implement both GAO recommendations. The implementation of the first recommendation was completed on June 12, 1981. The second recommendation is being implemented but a target date for completion has not been set.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Lenient Rules Abet the Occupancy of Low Income Housing by Ineligible Tenants (CED-81-74, 4-27-81)

Budget Function: Community and Regional Development: Community Development (0451)

The Department of Housing and Urban Development (HUD) recently took a number of positive steps when it: (1) lowered to 10 percent the percentage of section 8 assisted units in any new project that can be rented to ineligible households without explicit HUD approval, and (2) developed new sanctions for dealing with project owners who fail to comply with the limitation.

Findings/Conclusions: GAO agreed with these changes but believed additional measures were needed, since all previously completed projects continue to be covered by the older regulations and because HUD enforcement options are still limited. This problem warrants prompt attention because under present regulations, the potential exists for greater occupancy by ineligible households in the future, and the incentives to house ineligible households and market forces that encourage such occupancy will increase as the cost of housing escalates and the scarcity of rental housing becomes more prevalent. Occupancy of section 8 contracted units by ineligible tenants frustrates the intent of the program by causing it to fall short of its planned assistance, even though the money to achieve more assistance has been made available by Congress. The cost effectiveness of the program is degraded since indirect subsidy costs which are incurred, regardless of who occupies the housing units, must logically be counted against a lower number of assisted households. Ineligible occupancy works against or fails to enhance economic integration in many instances. Economic integration among assisted units should be achieved by selecting tenants across the broad range of income-eligible households. Units already earmarked for assisting lower income households should not be rented to middle income households without regard to the availability of assisted households.

Recommendations: Congress should enact legislation clarifying the section 8 program's original intent that housing units, for which section 8 subsidy contracts exist, be used to the maximum extent possible for section 8-eligible households. Congress should consider whether a more stringent limitation on ineligible households should be applied to previously completed section 8 projects. This limitation could be achieved by either (1) enacting legislation to apply a 5 percent limitation to completed projects already under contract; or (2) directing HUD to change its regulations to have the same effect. The Secretary of HUD should issue explicit enforcement guidelines for use by HUD regional and area offices to deal with project owners who exceed the limitation on ineligible households or otherwise fail to comply with HUD's policies on ineligible occupancy. The Secretary of HUD should lower the percentage limitation on ineligible households from 10 percent to 5 percent for new, fully assisted projects without HUD approval and allow no ineligible households to occupy contracted units in partially assisted projects without HUD approval. The Secretary of HUD should (1) modify program regulations for new, fully assisted projects to lower the percentage limitation from 10 percent to 5 percent on the number of units that can be occupied by ineligible households without HUD approval and allow no ineligible households in contracted units in partially assisted projects without HUD approval; (2) issue explicit enforcement guidelines for use by HUD regional and area offices in dealing with project owners who exceed the limitation in ineligible households or otherwise fail to comply with HUD policies on occupancy by ineligible households; and (3) amend section 8 regulations to explicitly state a project owner's responsibility to make every effort to rent all section 8 contracted units to eligible households before utilizing the exception for ineligible households.

Agency Comments/Action

HUD declined to comment on this report because it felt that its comments made on the GAO August letter which addressed the same topic were still applicable and it had nothing to add at this time.

Appropriations

Section 8 Housing Program funds - Department of Housing and Urban Development

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

The Community Development Block Grant Program Can Be More Effective in Revitalizing the Nation's Cities (CED-81-76, 4-30-81)

Budget Function: Community and Regional Development: Community Development (0451)
Legislative Authority: Housing and Community Development Act of 1974 (P.L. 93-383). P.L. 96-226. S. Rept 93-693. S. 3066 (93rd Cong.). 24 C.F.R. 570.302. 24 C.F.R. 570.607.

The Community Development Block Grant Program allows cities to undertake a wide variety of activities to provide decent housing, jobs, and neighborhoods for their residents. Funds can be used for the acquisition and disposition of property, street improvements, water and sewer facilities, the rehabilitation of private properties, public services and parks, playgrounds, and other recreational facilities. The program's legislative history shows that, while Congress intended communities to have great flexibility in implementing their block grant programs, cities were to design their individual programs within broad national objectives.

Findings/Conclusions: The lack of limitations on how funds may be used is diluting the program's impact. Cities often spread funds too widely, rehabilitation funds are spent for questionable purposes, and are not always provided to persons with the greatest need. In addition, there is sometimes insufficient information to determine whether funds are properly spent for eligible activities. The Department of Housing and Urban Development (HUD) has taken several initiatives to encourage better targeting by communities and, in response to past reports of weaknesses in its monitoring of block grant recipients, it has modified its grantee monitoring system. The GAO review raises questions as to whether local flexibility should be tempered with more Federal guidance on the overall limits within which cities can operate their block grant programs.

Recommendations: The appropriate congressional committees should examine the overall impact of assistance provided under the Community Development Block Grant Program and identify additional measures needed to meet the objectives of the Housing and Community Development Act of 1974. Specifically, the following issues should be considered: (1) the need for all grantees to concentrate their block grant funds in distressed geographic areas small enough so that visible improvements can be achieved in a reasonable time period and to ensure that claimed benefits to low- and moderate-income persons are, in actuality, occurring; (2) the need to reduce the broad list of activities currently eligible so that funds can be focused on those activities which meet the cities' most urgent revitalization needs; (3) the need to develop overall income eligibility requirements for recipients of block grant-supported rehabilitation; and (4) the need to limit eligible rehabilitation work to that which is essential to restore the housing unit to a safe, decent, and sanitary condition, specifically prohibiting non-essential and luxury items, so that more homes needing basic repairs can be rehabilitated. The Secretary of HUD should direct the Inspector General to conduct an analysis to determine the extent of problems in grantees' controls over expenditures of block grant funds and to recommend solutions to the problems. Such an analysis could be performed in two phases. The first phase should assess whether or to what degree such problems continue to exist. The second phase, if warranted, should concentrate on identifying the basic causes of the problems and suggesting corrective actions.

Agency Comments/Action

Agency comments on this report had not been provided as of September 4, 1981.

Appropriations

Community development and block grants - Department of Housing and Urban Development

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Weaknesses in the Planning and Utilization of Rental Housing for Persons in Wheelchairs (CED-81-45, 6-19-81)

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604)

GAO reviewed Federal efforts to provide housing designed especially for the needs of people who use wheelchairs to determine whether the Departments of Agriculture and Housing and Urban Development (HUD) goals to produce wheelchair-accessible housing units were reasonable and being complied with and if people in wheelchairs were occupying the special housing units.

Findings/Conclusions: Housing units produced under HUD and Farmers Home Administration (FmHA) programs and designed especially for people who use wheelchairs are not being produced efficiently or rented primarily to wheelchair users. A GAO review showed that only 27 percent of the units were occupied by persons using wheelchairs. The HUD and FmHA goals for constructing these units were based on inadequate data. The agencies did not have the essential data needed to establish and evaluate policies relating to housing people who use wheelchairs such as: the total number of accessible units in existence under their programs, the number of people using wheelchairs who occupy the units, and the people's characteristics such as their age and income. There was limited occupancy of accessible units by wheelchair users because the agencies do not require accessible units to be occupied by people using wheelchairs, project sponsors do not always have effective outreach programs to advertise the availability of accessible units and rental assistance projects do not often have services such as personal attendant care which people in wheelchairs may need to live independently, and projects have restrictions based on age or ability to live independently which preclude certain people from living in them. Almost no coordination exists between HUD, FmHA, and Federal, State, and local organizations providing services to people in wheelchairs living in HUD or FmHA assisted housing projects.

Recommendations: The Secretaries of HUD and Agriculture should require project managers to give persons who use wheelchairs priority for the accessible units. One way of accomplishing this is to require project managers to maintain separate waiting lists for the accessible units and give people in wheelchairs priority regardless of when they apply for admission. The Secretaries of HUD and Agriculture should establish procedures for project managers to use to advertise the availability of accessible units and rental assistance, including contacting public and private organizations serving people in wheelchairs to obtain greater participation of people who use wheelchairs. The Secretaries of HUD and Agriculture should identify those elderly projects which do not admit nonelderly disabled persons or which require persons to live totally independent and notify the project sponsors that the restrictions must be removed. The Secretaries of HUD, HHS, Agriculture, and Education should work with State and local social service and welfare organizations to coordinate housing with the other services people in wheelchairs need. The Secretaries of HUD and Agriculture should require that the Annual Housing Survey be used periodically to gather data relating to people in wheelchairs, such as the total number in the United States and their geographic location, age, income, family size, and need for federally subsidized housing. The Secretaries of HUD and Agriculture should eliminate the nationwide 5 and 10 percent goals and establish geographical (e.g., local or regional) goals for constructing accessible units in family and elderly projects. The Secretaries of HUD and Agriculture should, in approving projects, determine whether the geographical goals as established are realistic by doing a market analysis of the demand for accessible units in each project. The Secretaries of HUD and Agriculture should establish adequate criteria for project sponsors to use to implement the goal for constructing accessible units in family projects. Such criteria should include guidance on the type of unit (accessible or other), number of bedrooms in the unit, and under what circumstances exceptions will be allowed. The Secretaries of HUD and Agriculture should have their management information systems compile data on the number of accessible units constructed and the number and characteristics such as the age, income, family size, and rent paid by the people in wheelchairs living in assisted units. The Secretaries of HUD and Agriculture should periodically compile directories of projects with assisted accessible housing units which contain information on location, number of bedrooms, rental costs, services available, and availability for occupancy and disseminate the directories to organizations serving people who use wheelchairs so they can assist people seeking this type of housing.

Agency Comments/Action

HUD agreed with the findings and recommendations and is currently revising its regulations for implementing Section 504 of the Rehabilitation Act. HUD is also studying administrative changes which could be made in light of the recommendations.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

New Mortgages for Financing Homes Need Uniform and Comprehensive Consumer Safeguards (CED-81-53, 7-2-81)

Budget Function: Commerce and Housing Credit: Mortgage Credit and Thrift Insurance (0371)
Legislative Authority: Housing Act (42 U.S.C. 1437 et seq.; 12 U.S.C. 1701 et seq.). Housing Act of 1954 (12 U.S.C. 1715z). Housing and Community Development Act of 1974 (P.L. 93-383). Housing and Community Development Amendments of 1979 (P.L. 96-153). Home Loan Bank Act.

GAO reviewed several of the new mortgage instruments for single-family homes and their impact on homebuyers and lenders. The review was made because many Americans purchasing homes in the future will be faced with selecting one of the new alternative mortgage instruments instead of the standard level payment mortgage which has been in use for about 40 years.

Findings/Conclusions: The principal types of alternatives to the standard mortgage are: (1) adjustable-rate mortgages on which interest rates vary with changes in one of the money market interest rates; (2) graduated payment mortgage (GPM) wherein the initial monthly payments are less than those under the standard mortgage but rise to higher than standard levels in later years; (3) variable-rate mortgages which permit the interest rate to vary both up and down according to some money market interest rate; (4) renegotiated-rate mortgages which permit a loan to be issued for a term of 3, 4, or 5 years, secured by a long-term mortgage of up to 30 years, and automatically renewable at equal intervals; and (5) adjustable-rate mortgage loans which permit a flexible loan instrument to be issued. The Office of the Comptroller of the Currency's new adjustable-rate mortgage regulation provides that interest rate adjustments must occur at regular intervals and the maximum increase or decrease in the interest rate may not exceed 1 percent for every 6-month period between rate adjustments. GAO analysis of the Department of Housing and Urban Development's (HUD) GPM program disclosed that: (1) HUD underwriters are not routinely assessing the homebuyer's ability to meet increasing payments; (2) HUD refusal to include all GPM plans under the mortgage-backed securities program has impeded the program's growth; and (3) many homebuyers are not fully apprised of all GPM plans available.

Recommendations: The Federal Home Loan Bank Board should determine whether borrowers should be given the option of different note maturity dates than now offered. Federal regulators should study the interest rate cap structures for the various instruments being offered and applicable risks with a view toward establishing standardized interest rate caps that provide mutual and equitable protection to both consumers and lenders. The Comptroller of the Currency and the Chairman of the Federal Home Loan Bank Board should develop and administer uniform consumer safeguards in all adjustable-rate mortgage regulations. These safeguards should: (1) require that homebuyers under all adjustable-rate programs be provided a choice between a standard mortgage and the adjustable-rate mortgage being offered; and (2) provide prospective borrowers full disclosure concerning monthly mortgage payments they potentially face over the life of their mortgage commitment. The Secretary of HUD should: (1) provide HUD underwriters with criteria to assess future income of homebuyers applying for a section 245(a) GPM; (2) require that the Government National Mortgage Association work with securities dealers, investors, and issuers to assure partipation of section 245(a) 10-year plans in the mortgage-backed securities program; and (3) assure that homebuyers are apprised of all payment plan options available under the GPM program. One way to do this would be a certification signed by the homebuyers that they were informed of all options available.

Agency Comments/Action

The Federal Home Loan Bank Board (FHLBB) generally disagreed with the GAO recommendations, arguing that lenders' ability to use adjustable rate mortgages (ARM) would be restricted if the recommended consumer safeguards were adopted. The Office of the Comptroller of the Currency (OCC) stated that it would be premature for it to comment because it had not yet finalized its regulations authorizing its new ARM. Both FHLBB and OCC subsequently issued ARM regulations which do not provide for the basic consumer safeguards recommended by GAO. HUD, while not disagreeing with the problems noted by GAO, generally disagreed with the GAO recommendations to improve its graduated payment mortgage program. In July and September 1981, the Subcommittee on Financial Institutions Supervision, Regulation and Insurance of the House Committee on Banking, Finance and Urban Affairs held hearings to discuss the issues identified in the GAO report and the need for legislation in this area.

Appropriations

Federal Housing Administration Fund - Department of Housing and Urban Development, Federal Housing Administration
Assessment funds - Department of the Trasury
Federal Home Loan Bank Board Revolving Fund - Federal Home Loan Bank Board

Appropriations Committee Issues

The Committees should monitor the implementation of the adjustable rate mortgage programs authorized by FHLBB and OCC and the graduated payment mortgage programs implemented by HUD to determine the effect of these programs and the need for adjustments to them on the housing sector: lenders, buyers, sellers, builders, investors, secondary markets, and others associated with the housing area.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

More Can Be Done To Measure HUD's Success in Using Millions of Dollars for Rehabilitating Housing (CED-81-98, 7-14-81)

Budget Function: Community and Regional Development: Community Development (0451)
Legislative Authority: Housing and Community Development Act of 1974. Housing Act of 1954. Supplemental Appropriations and Rescission Act, 1981 (P.L. 97-12).

GAO examined the current status of actions taken by the Department of Housing and Urban Development (HUD) on recommendations GAO made to the agency in a previous report. In this report, GAO estimated that $150 million of a total $200 million in grants was directly granted to property owners to cover their rehabilitation costs in fiscal year 1980. By combining grant assistance to homeowners for housing rehabilitation with other funds, or by using loans to replace grants wherever feasible, GAO said that HUD should be able to more efficiently and effectively use millions of dollars annually in its Community Development Block Grant (CDBG) Program. HUD agreed with GAO that direct grants for housing rehabilitation were costly and sometimes inappropriate, but disagreed with the recommendation that CDBG regulations be amended to prohibit the use of grants unless grants are combined with other resources. Instead HUD believes that, through concerted technical assistance, its efforts to encourage communities to use more cost-effective financing techniques can achieve the desired results.

Findings/Conclusions: GAO believes that the HUD technical assistance effort should help in assisting communities to adopt more effective and efficient rehabilitation financing techniques; however, HUD lacks sufficient data to determine how successful its efforts have been and whether additional steps are needed. If HUD intends to rely on its technical assistance efforts, then it needs to develop performance standards and compare them with reliable management data to enable HUD to measure overall progress in meeting its objectives. GAO also found in its followup work that: (1) existing management data were inaccurate, thus preventing HUD from effectively monitoring recent changes to restrict the use of certain funds for refinancing home mortgages; and (2) the improved use of available data systems, and the establishment of performance standards, could improve monitoring of and technical assistance to local communities in meeting objectives of giving loan priority to certain persons.

Recommendations: The Secretary of HUD should improve the existing HUD monitoring capabilities by revising the application forms for collecting information on the planned uses of block grant funds to require that, in the case of housing rehabilitation activities, local communities indicate the amount of funds they plan to budget for rehabilitation grants versus loans. The Secretary of HUD should revise the grantee performance reports to require that information reported on block grant expenditures for housing rehabilitation indicate the amount spent through the use of rehabilitation grants versus loans. HUD should also incorporate this information on expenditures into its computer system as it has done for block grant budgets to enable routine and timely comparisons between planned and actual expenditures. The Secretary of HUD should establish performance standards in conjunction with these block grant rehabilitation data systems, stating the HUD goals for using more cost-effective rehabilitation financing methods. The Secretary of HUD should use the improved management data, and accompanying performance standards, to measure the progress area offices and communities are making to reduce their reliance on the use of direct grants in rehabilitating housing. HUD should also consider whether additional actions, such as incentives, are needed to reward communities for stretching block grant funds by adopting financing methods more cost effective than direct grants. The Secretary HUD should prepare periodic reports using existing data systems to routinely monitor the HUD objective that communities give loan priority to low and moderate-income borrowers. The Secretary of HUD should establish performance standards to be used with reliable management data on refinancing and loan priority given to low and moderate-income borrowers, clearly stating the HUD goals for anticipated levels of performance. The performance standards should be communicated to field staffs and communities and used to focus the HUD technical assistance activities.

Agency Comments/Action

In commenting on the GAO draft report, HUD acknowledged that it lacked sufficient data to determine its success and/or how much more needs to be done to gauge the extent of progress made by communities in adopting more cost-effective housing rehabilitation financing techniques. HUD told GAO that: (1) it is currently accumulating data on financing techniques being used by entitlement communities through the use of a questionnaire; and (2) a decision was made several years ago, prior to its recent policy change encouraging the greater use of cost-effective financing techniques, to rely on special surveys rather than overburden communities by routinely requiring that such information be reported. In light of the recent policy change and the growing concern over Federal expenditures, HUD officials agreed that this decision should be reconsidered.

Appropriations

Community Development Grants and Rehabilitation Loan Fund - Department of Housing and Urban Development

Appropriations Committee Issues

The Committees may wish to monitor HUD progress in encouraging communities to adopt more cost-effective methods of financing housing rehabilitation since leveraging arrangements can result in more rehabilitation being done with less Federal funds.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FEDERAL HOUSING ADMINISTRATION

How To House More People at Lower Costs Under the Section 8 New Construction Program (CED-81-54, 3-6-81)

Budget Function: Community and Regional Development: Community Development (0451)
Legislative Authority: Housing and Community Development Act of 1974 (P.L. 93-383). Tax Reform Act of 1976.

The Section 8 New Construction Program was reviewed including: (1) the nature and magnitude of financial benefits afforded to developers and investors in subsidized housing built under the program; (2) the reasonableness of development and operating costs for this housing; and (3) the possibilities for reducing costs and improving the results of this program.

Findings/Conclusions: Substantial financial incentives exist to attract developers and investors to the section 8 program. Projects can be undertaken with a fairly small cash investment in relation to total project development costs. Government-subsidized, below-market interest rates on project mortgages are provided to developers, and developers earn profits by syndicating projects they undertake. Significant tax shelters are provided to owners and investors in new projects through the highly accelerated depreciation allowed for the projects and the way losses can be distributed. Other benefits include profits from construction, management fees, anticipated gains from the future sale or conversion to condominiums, operating profits, cash distributions, and other types of tax savings. GAO found that, for the caliber of housing being built, development costs were generally reasonable. The quality of housing was generally better than the housing in the area in which the projects were built. GAO suggested that the quality of the housing could be lowered somewhat in order to increase cost savings. GAO in no way suggested that section 8 housing be less than decent, safe, and sanitary.

Recommendations: The Secretary of Housing and Urban Development (HUD) should study a variety of methods, including economic incentives and contractual sanctions, to encourage project owners under 5-year assistance contracts to continue in the section 8 program after their present contracts expire. The Secretary of HUD should direct HUD area offices and delegate agency officials involved in reviewing section 8 development costs to adequately document their cost determinations. The Secretary of HUD should house the single elderly in efficiency/studio type units instead of one-bedroom units. The Secretary of HUD should direct the HUD area offices and delgate agency officials to closely survey the new rental housing construction market and to develop alternate approaches for evaluating section 8 development costs when appropriate comparable projects cannot be identified. The Secretary of HUD should enforce the requirement that project owners submit annual certified financial statements and use these statements to evaluate regularly the reasonableness of formula-based annual rent increases given to project owners. The Secretary of HUD should develop uniform procedures and train staff to properly and promptly review project financial statements. The Secretary of HUD should develop definitive guidelines for section 8 projects, requiring that units be assigned and reassigned to achieve optimum utilization of all units. The Secretary of HUD should direct HUD field offices to monitor the use of section 8 units more closely, especially at the time of initial occupancy, and to invoke appropriate penalties where owners/managers consistently fail to comply with HUD occupancy guidelines. The Secretary of HUD should develop an explicit definition of "modest housing" for use under the Section 8 New Construction Program which limits the size of family housing units to dimensions closely approximating those based on HUD minimum property standards and reduces the types and number of amenities permitted in new section 8 housing. The Secretary of HUD should take steps to increase incentives for high-quality management and long-term ownership of section 8 new construction projects. One possible way of doing this would be to require developers to make higher equity investments and, in return, allow greater cash distribution during operations. This provision should attract investors who are less motivated to seek shelters from tax losses generated by production and more interested in yearly profits possible from operating section 8 projects and providing housing services.

Agency Comments/Action

HUD generally agreed with the thrust of the GAO findings and recommendations and has taken actions to implement several of the recommendations, including: (1) emphasizing to HUD field staff the importance of adequately documenting development cost determinations; (2) publishing handbooks providing HUD field managers with enforcement tools to obtain delinquent statements and monitoring the timeliness and quality of the HUD servicer's review of the statements; and (3) conducting training courses on reviewing financial statements.

Appropriations

Annual contributions for assisted housing - Department of Housing and Urban Development
Section 8 housing - Department of Housing and Urban Development

Appropriations Committee Issues

The Committees should examine HUD actions to: (1) increase incentives for high-quality management and long-term ownership of Section 8 new construction projects; (2) build more modest sized housing with fewer amenities; (3)

make better use of family housing units; and (4) evaluate the propriety of automatic rent increases.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FEDERAL HOUSING ADMINISTRATION

HUD Should Strengthen Mortgagee Monitoring To Reduce Losses (CED-81-108, 6-9-81)

Budget Function: Commerce and Housing Credit: Mortgage Credit and Thrift Insurance (0371)

Mortgagees approved by the Department of Housing and Urban Development (HUD) are responsible for originating and servicing HUD-insured single-family loans. If a mortgagee fails to adequately assess a prospective home buyer's ability to repay a loan or fails to provide proper servicing of the loan, defaults, foreclosures, and substantial losses to the Federal Government can occur. HUD primarily monitors this program through its Office of Mortgagee Activities. If mortgagees violate HUD requirements in connection with their HUD-insured lending activities, HUD can impose sanctions against them through its Mortgage Review Board.

Findings/Conclusions: The HUD system for reviewing mortgage lenders participating in HUD-insured loan programs needs revised review goal-setting techniques, strict compliance with existing procedures, more effective review coverage, and a stronger commitment to quality control of mortgagee reviews. Improved loan origination and servicing would reduce foreclosures and the Federal Government's losses. HUD is, at times, selecting for review mortgagees which have originated small numbers of HUD-insured loans while more active mortgagees are not reviewed as often. Mortgagees experiencing high foreclosure rates are often not selected for review. This practice is an ineffective use of limited resources, contributes to inadequate review coverage, and limits opportunities to correct loan origination problems. Mortgagee review coverage is hindered, in part, by limited resources. Although HUD criteria for selecting mortgagees for servicing reviews are sound, they are often not followed. Seven of 11 area offices visited could not accurately account for all mortgagee servicing loans in their jurisdictions. The quality of the reviews is hindered by the loan specialists' not spending sufficient time on reviews, inexperienced staff, and low priority given reviews by some area offices.

Recommendations: The Secretary of HUD should reassess how mortgagee reviews can be conducted most effectively to cover active mortgagees and evaluate alternative ways to provide necessary review coverage. The Secretary of HUD should revise the methods the Office of Mortgagee Activities and HUD regional offices use to set area office mortgagee-servicing review goals to ensure that factors such as the number of mortgagees and their total HUD-insured loan portfolio, other area office workload priorities, and review staff availability and experience levels are considered. The Secretary of HUD should direct the Office of Mortgagee Activities (OMA) and all HUD area offices to follow existing HUD procedures on selecting mortgagees for origination and servicing reviews; and require that area offices submit to OMA, in advance, the required quarterly mortgagee review itineraries and document reasons why mortgagees were selected for servicing reviews. The Secretary of HUD should require the Office of Mortgagee Activities to play a stronger role in the quality control of mortgagee reviews by requiring more timely reporting of review findings to mortgagees, more followup reviews on prior mortgagee deficiencies, and the use of coordinated reviews to monitor the largest mortgagees or those active in HUD-insured programs nationwide.

Agency Comments/Action

Agency comments were not requested at the direction of Senator Levin. GAO was informed by his staff on July 15, 1981, that after reviewing the report, the Senator has decided to request agency comments and has asked GAO to review them when received. As of September 9, 1981, GAO has not seen the agency's comments.

Appropriations

Housing/mortgage insurance - Department of Housing and Urban Development, Federal Housing Administration

Appropriations Committee Issues

Despite shortages in staffing and available funds, GAO believes HUD could improve its mortgage monitoring and thereby reduce losses to the Federal Government which totaled about $183 million in fiscal year 1980.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FEDERAL NATIONAL MORTGAGE ASSOCIATION

Action Being Taken To Correct Weaknesses in the Rehabilitation Loan Program
(FGMSD-79-14, 3-14-79)

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (1101)
Legislative Authority: Housing Act of 1964. Housing and Community Development Act of 1977. 4 C.F.R. 102.10. 24 C.F.R. 445.1.

The Department of Housing and Urban Development (HUD) has outstanding loans of almost $334 million under its Rehabilitation Loan Program. Of the $334 million, over $53 million has already been returned to HUD as defaulted delinquent accounts and approximately $49 million may ultimately be returned as defaulted delinquent accounts. The Rehabilitation Loan Program provides direct low-cost loans to property owners for the rehabilitation of basically sound structures. Loans are initially serviced by the Federal National Mortgage Association (FNMA). When a borrower becomes 6 months delinquent or is at least 3 months delinquent and misses 3 consecutive payments, the loan is returned to HUD for servicing.

Findings/Conclusions: HUD did not maintain proper control over defaulted loans returned by FNMA. Some loans were delinquent for years, yet loan servicers had not recommended foreclosure or contacted the defaulted borrowers to arrange for loan payment. The manual record keeping system used by HUD cannot adequately handle the volume of defaulted loans on hand. The loan servicing activity has been hampered by a general lack of management attention. HUD has established a special task force under the supervision of the Under Secretary of HUD to study all aspects of the program and recommend needed changes. HUD has never developed and submitted the design of the accounting system for rehabilitation loans to the Comptroller General for approval.

Recommendations: The Secretary of HUD should direct the HUD Office of Finance and Accounting to develop and submit the design of the revised accounting system for rehabilitation loans to the Comptroller General for approval; and direct the HUD Inspector General to review actions taken to comply with suggestions of GAO and the task force and ensure that adequate system changes are implemented.

Agency Comments/Action

HUD is still in the process of revising its accounting system to include a number of improvements suggested by GAO and a special HUD task force. HUD has set no specific target for completing the project; however, historically it has taken a long time to complete projects to redesign accounting systems.

Appropriations

Rehabilitation Loan Fund - Department of Housing and Urban Development, Community Planning and Development

Appropriations Committee Issues

The Committees should ask the Secretary of Housing and Urban Development to provide a deadline for submitting its revised system for approval by GAO and to submit status reports explaining the reasons for any lengthy delays.

DEPARTMENT OF JUSTICE

Some Criminal Offenses Committed Overseas by DOD Civilians Are Not Being Prosecuted: Legislation Is Needed (FPCD-79-45, 9-11-79)

Budget Function: National Defense: Defense-related Activities (0054)
Legislative Authority: Reid v. Covert, 354 U.S. 1 (1960). Kinsella v. Singleton, 361 U.S. 234 (1960). Grisham v. Hagan, 361 United States 278 (1960). United States v. Catlow, 23 C.M.A. 142, 48 C.M.R. 758. United States v. Russo, 23 C.M.A. 511.50 C.M.R. 630. 18 U.S.C. 7.

International law recognizes that a host country has criminal jurisdiction over U.S. military personnel stationed in that country. Negotiated agreements allowing the United States to exercise jurisdiction over service members stationed overseas give it criminal jurisdiction over many offenses committed by service members that otherwise would have been prosecuted by the foreign country or not prosecuted at all. The United States has virtually no criminal jurisdiction over the 343,000 civilian personnel and dependents accompanying the armed forces overseas. These civilians are subject to foreign criminal jurisdiction which is not always exercised.

Findings/Conclusions: GAO analyses indicate that the actions taken by the Department of Defense (DOD) in the military cases may be inadequate. Military officials believe that the civilians' knowledge that the United States does not have criminal jurisdiction is an encouragement to offenders. Many military commanders dispose of these offenses through administrative sanctions which are inadequate in terms of punishment and deterrency and safeguarding an individual's rights. The strongest administrative sanctions are often directed against the military member/sponsor, and not the civilian offender.

Recommendations: The Secretary of DOD and the Attorney General should prepare provisions for implementing the extraterritorial extension of laws and report their findings to the Congress by September 1980. They should consider provisions for: apprehending, restraining, and delivering these civilians to trial; bringing offenders back to the United States for trial; and establishing courts and/or magistrates overseas. The Secretary of DOD should direct the services to provide more information to the Congress about the number, type, and disposition of criminal offenses committed by civilians accompanying the military forces overseas. Further, the Secretary of DOD should improve the present reporting system to accumulate and track information on the disposition of all overseas cases involving service members released to U.S. authorities and include it in the annual report to the Senate Committee on Armed Services. Legislation should be enacted to extend criminal jurisdiction over U.S. citizen civilians accompanying the military forces overseas. The extraterritorial jurisdiction should extend to petty as well as serious offenses, because the less serious offenses appear to be the greatest disciplinary problem.

Agency Comments/Action

DOD recognized the need to account for cases released to U.S. military authorities for disposition, but it stated that nothing has been brought to its attention to indicate that it is not already meeting requests for information by host countries.

Appropriations

Operation and maintenance - Army, Navy, Air Force, Marine Corps

DEPARTMENT OF JUSTICE

Congress Should Clarify the Speedy Trial Act To Resolve Differing Interpretations (GGD-81-1, 11-18-80)

Budget Function: Administration of Justice: Federal Litigative and Judicial Activities (0752)
Legislative Authority: Speedy Trial Act of 1974.

The intent of the Speedy Trial Act of 1974 is to speed the prosecution of accused persons in order to isolate those found guilty and prevent additional crimes by setting uniform time limits within which U.S. district courts have to process criminal cases. As of July 1, 1980, the Act provides for the dismissal of Federal criminal cases not processed within established time limits. The first time limit, 30 days (Interval I), includes the period from arrest to indictment. The second time limit, 70 days (Interval II), includes the period from either indictment or the defendant's first appearance before the court to the start of trial, plea of guilty, or dismissal.

Findings/Conclusions: GAO found that compliance with the Act's requirements has increased steadily over the past 4 years. However, because the executive and judicial branches interpret some provisions of the Act differently, future criminal cases might be inappropriately dismissed. After the start of Interval I, cases are sometimes dismissed because U.S. attorneys are unable or choose not to move the cases within the 30-day limit. With the case dismissed and the time limit removed, prosecutors gain more time to prepare their case and then indict at a later date. However, this practice has the effect of slowing down the processing of criminal cases. The Judicial Conference (JC) and the Executive Office of the U.S. Attorneys (EOUSA) believe that the Act does not prohibit this practice and that it is often necessary to enable further investigation of criminal activities. EOUSA believes that the Act is not clear as to the starting date of Interval II. However, JC maintains that the Act is clear. Issues have arisen in the implementing of the 30-day minimum period after the defendant's first appearance. The issues are: (1) whether excludable periods of delay apply; (2) what constitutes a defendant's first appearance; and (3) whether the minimum period is applicable to superseding charges. GAO found that defendants were waiving their rights to dismissal before the case was subject to dismissal for exceeding the Act's time limits. The waivers had the effect of delaying the start of trials.

Recommendations: Congress should amend the Speedy Trial Act to clarify the starting date of Interval II. Congress should amend the Speedy Trial Act to specify whether dismissal waivers in advance of the expiration of the time limits are allowable and, if so, their effect on other provisions of the act. Congress should (1) clarify whether or not excludable periods of delay are to apply to the minimum 30-day period before trial can commence, (2) define a defendant's first appearance through counsel to start the 30-day period, and (3) clarify whether and when the 30-day period is applicable to superseding charges. Congress should clarify how and under what circumstances pre-indictment dismissals followed by an indictment affect the Interval I time limit.

Agency Comments/Action

Both the Executive Office of U.S. Attorneys and the Administrative Office of the United States Courts expressed the view that their respective positions on the issues discussed in the report were accurately presented. On two issues, the minimum period before trial can begin and defendants' rights to waive the Act's time limit, Executive Office and/or Administrative Office officials expressed the view that the issues would be resolved through the courts' appellate process.

DEPARTMENT OF JUSTICE

Women in Prison: Inequitable Treatment Requires Action
(GGD-81-6, 12-10-80)

Budget Function: Administration of Justice: Federal Correctional Activities (0753)
Legislative Authority: Civil Rights of Institutionalized Persons Act (P.L. 96-247). Civil Rights Act of 1964. Education Amendments of 1972 (20 U.S.C. 1681 et seq.). Glover v. Johnson, Civ. Act. No. 77-1229 (E.D. Mich. 1979). Barefield v. Leach, Civ. Act. No. 10282 (D. N.M. 1974). Grosso v. Lally, Civ. Act. No. 4-74-447 (D. Md. 1977). Molar v. Gates, 159 Cal. Rptr. 239 (4th Dist. Ct. Cal. 1979).

Women in correctional institutions do not have access to the same types of facilities, job training, jobs in prison industries, and other services as men prisoners. An increasing number of suits have been brought by women demanding equality in the types of facilities and other opportunities provided. Courts are frequently deciding in favor of female inmates.

Findings/Conclusions: Alternatives exist which would provide for more equitable treatment without duplicating existing programs and services. These alternatives include shared facilities, in which men and women would share available resources other than housing. This concept greatly increases the range of programs, facilities, and other services for women. Community corrections is an alternative to the traditional approach of incarceration which involves the community in the corrections process. This approach greatly increases sentencing alternatives, may include restitution to the community or victim through either service or monetary means and, at the same time, may require education or training that will benefit the offender. Joint venture is a concept of pooling resources at the Federal, State, and local levels to better utilize incarceration facilities. Agreements between prisons could greatly enhance the possibilities for solving inequities in female corrections. Another alternative is private industry involvement either inside the institution or through contracts to provide a product or service. This concept could expand the industrial operations available in institutions and could provide work and earnings for inmates. Private industry involvement could also be an effective link to the outside world for inmates.

Recommendations: The Attorney General should require the National Institute of Corrections to place more emphasis on research and evaluations of innovative approaches that are being used at the different levels of corrections throughout the United States and serve as a clearinghouse for disseminating information on successful alternatives to the Federal, State, and local levels. The Attorney General should provide the same level of resources and opportunities to women inmates as are provided men.

Agency Comments/Action

The Department of Justice agreed that incarcerated females are not being treated equally and recognized the importance of correcting the situation. It stated further that the present era of fiscal austerity places a challenge on correctional administrators to reduce the inequities while working within the limits of existing resources.

Appropriations

Department of Justice

Appropriations Committee Issues

The Committees should consider the efficient use of resources.

DEPARTMENT OF JUSTICE

The Multi-State Regional Intelligence Projects--Who Will Oversee These Federally Funded Networks? (GGD-81-36, 12-31-80)

Budget Function: Administration of Justice: Federal Law Enforcement Activities (0751)
Legislative Authority: Omnibus Crime Control and Safe Streets Act of 1968. Justice System Improvement Act of 1979. 28 C.F.R. 23.

The Department of Justice funds seven regional intelligence information networks which provide State and local agencies with a broad range of intelligence and investigative support services. The Law Enforcement Assistance Administration (LEAA) established an Intelligence Systems and Policy Review Board to oversee Federal funds going into the projects. LEAA also maintains a discretionary grant program which provides day-to-day monitoring of grants for the networks. Since LEAA is being phased out, it is uncertain which agency or bureau in Justice will provide administrative oversight of these networks in the future.

Findings/Conclusions: Successors to the LEAA discretionary grant program and the policy review board are needed since continued Federal funding for the intelligence projects has been appropriated. Since the emerging networks work or intend to work with a number of other Federal law enforcement agencies, representation on the new board may need to be expanded. The Drug Enforcement Administration (DEA) is making contingency plans to assume the responsibility for day-to-day grant monitoring. However, some regional project officials are concerned because DEA is drug oriented and some of the networks focus on other types of crime. A clearly defined role for the networks is needed to enhance their relationship with Federal law enforcement agencies.

Recommendations: The Attorney General should define a role for the multi-State regional intelligence projects which will enhance their relationship with Federal law enforcement agencies. The Attorney General should assign only the administrative responsibility for grant funding and project monitoring to a Justice agency such as the Drug Enforcement Administration and reserve for the Board all policy decisions. The Attorney General should reestablish the Intelligence Systems and Policy Review Board at the department level with representation from appropriate Federal law enforcement agencies. The Board, subject to the Attorney General's approval, should set and review regional networks' compliance with criminal intelligence system operating policies.

Agency Comments/Action

The Department of Justice disagreed with the need for the report's recommendations and noted that no FY 1982 funding has been proposed by the Administration. No action has been taken to date.

Appropriations

Federal law enforcement information system - Department of Justice

Appropriations Committee Issues

For FY's 1980 and 1981, the Senate has inserted funds into the Department of Justice budget to continue funding of these programs. If this happens again in FY 1982, the GAO report recommendations will need to be addressed.

DEPARTMENT OF JUSTICE

The Bureau of Prisons' Actions Since the Danbury Fire (GGD-81-52, 3-9-81)

Budget Function: Administration of Justice: Federal Correctional Activities (0753)
Legislative Authority: National Fire Protection Association Life Safety Code 101.

GAO surveyed the status of the efforts by the Bureau of Prisons to improve the fire safety programs at Federal institutions. A comprehensive effort was initiated by the Bureau after a fatal fire in 1977 at the Danbury Federal Correctional Institution. At the same time, GAO performed a limited assessment of the Bureau's overall environmental health program.

Findings/Conclusions: In 1978, the Bureau issued specific guidelines for institutions to follow in making fire safety improvements to inmate housing. These guidelines specified the types of materials approved for walls, partitions, and ceilings; locks, signs, and doors to be used at building exits; and required alarms and protection systems in all living areas. The completion date was extended when officials learned that a great deal of confusion existed concerning the interpretation of the requirements. This confusion, coupled with limited funds, other demands on workers' time, and difficulty in obtaining materials, resulted in the revision of the target completion date to July 1980. However, progress has been noted. For example, the Bureau has involved local fire officials in institution safety programs. Safety officers were routinely familiarizing local fire officials with their institutions' layouts and structural conditions and seeking assistance with special problems. However, certain matters were noted that need attention, including the fact that: (1) institution safety officers could augment their technical knowledge by regularly taking advantage of outside expertise; (2) alternate safety officers are not being adequately trained; (3) trades foremen are not kept abreast of safety standards and product innovations, are not instructed in the proper use of specialized equipment, and are not aware of many Bureau safety requirements; and (4) more could be done to remedy safety hazards in community facilities.

Recommendations: The Director of the Bureau of Prisons should direct that all alternate safety officers be fully trained and given the opportunity to gain on-the-job experience so that they will be ready if it becomes necessary to call upon them in emergencies. The Director of the Bureau of Prisons should improve the ability of trades foremen to contribute to the Bureau's safety program. The foremen need technical training in safety standards and the use of specialized equipment. The Bureau should also (1) disseminate its program statement for safety to all those responsible for implementing it; (2) clarify its position on safety in the workplace; and (3) upgrade its efforts to monitor safety and sanitation conditions in contractor-operated community facilities by developing standards for inspections performed by State and local agencies and requiring that the reports of such inspections be sent to the community program officers.

Agency Comments/Action

The Bureau stated that it was revising Bureau policy to place greater emphasis on regular outside consultation in certain environmental health areas. It also recognized that initial and refresher training for alternate safety officers has been irregular and insufficient, but pointed out that resources for additional training have been limited in light of recent budget cuts. The Bureau stated that it would revise policy to define training requirements for these officers.

Appropriations

Federal prison system - Department of Justice

Appropriations Committee Issues

The Committees should consider the efficient use of resources.

DEPARTMENT OF JUSTICE

Asset Forfeiture--A Seldom Used Tool in Combatting Drug Trafficking (GGD-81-51, 4-10-81)

Budget Function: Administration of Justice: Federal Law Enforcement Activities (0751)
Legislative Authority: Right to Financial Privacy Act of 1978. Controlled Substance Act. Confiscation Act (Civil War). RICO (Racketeer Influenced and Corrupt Organization) Act.

GAO reviewed the Department of Justice's asset forfeiture program, described the extent to which forfeiture has been employed in narcotics cases, and discussed the problems limiting greater forfeiture use.

Findings/Conclusions: Billions of dollars are generated annually by organized crime. These illicit profits and the assets acquired with them were the target of legislation passed to combat organized crime through forfeiture of assets. However, assets obtained through forfeiture have been miniscule. The Government has not exercised the kind of leadership and management necessary to make asset forfeiture a widely used law enforcement technique. Justice has not given investigators or prosecutors the incentive or guidance to go after criminal assets. Emerging case law indicates that legislative changes are needed if investigators and prosecutors are to make meaningful attacks on the economic base of organized crime. Whether or not an improved asset forfeiture program will make a sizable dent in drug trafficking is uncertain. A successful forfeiture program could provide an additional dimension in the war on drugs by attacking the primary motive for such crimes, monetary gain. More forfeitures have not been realized because forfeiture statutes are ambiguous in some areas or incomplete and deficient in others, investigators and prosecutors are not given the guidance and incentive for pursuing forfeiture, and access to financial information may be limited. The Government lacks the most rudimentary information needed to manage the forfeiture effort. Justice is making efforts to remedy the matter by issuing guidance on the use of forfeiture statutes, analyzing in detail affected cases prosecuted since 1970, and preparing a manual on how to conduct financial investigations in drug cases.

Recommendations: Congress should amend the criminal forfeiture provisions of the Racketeer Influenced and Corrupt Organizations (RICO) statute, 18 U.S.C. 1961 et seq., to: (1) make explicit provision for forfeiture of profits and proceeds that are (a) acquired, derived, used, or maintained in violation of RICO or (b) acquired or derived as a result of a RICO violation; (2) authorize forfeiture of substitute assets, to the extent that assets forfeitable under RICO (a) cannot be located, (b) have been transferred, sold to, or deposited with third parties, or (c) have been placed beyond the general territorial jurisdiction of the United States. This authorization would be limited to the value of the assets described in (a), (b), and (c) above; and (3) clarify that interests forfeitable under RICO include assets illicitly derived, maintained, or acquired that are held or owned in an individual capacity by defendants convicted of using a de facto association/enterprise to violate RICO. The Attorney General should evaluate the workability of current forfeiture procedures and take the appropriate steps to effect any necessary revisions. The Attorney General should direct Justice's Criminal Division to analyze on a continuing basis the extent to which forfeiture statutes are used and the reasons for their success or failure. When problems restricting forfeiture use are identified, the Criminal Division should propose solutions, whether or not they involve administrative or legislative action.

Agency Comments/Action

The Department of Justice has taken several actions to improve the Government's ability to pursue forfeiture. Legislation has been introduced in both the Senate (S. 1126) and the House (H.R. 4110) which tracks the legislative package recommended. GAO believes this legislation should be enacted.

Appropriations

Salaries and expenses - Department of Justice

DEPARTMENT OF JUSTICE

EXECUTIVE OFFICE FOR UNITED STATES ATTORNEYS
FEDERAL BUREAU OF INVESTIGATION

From Quantity to Quality: Changing FBI Emphasis on Interstate Property Crimes (GGD-80-43, 5-8-80)

Budget Function: Administration of Justice: Federal Law Enforcement Activities (0751)
Legislative Authority: S. 1214 (96th Cong.). 18 U.S.C. 659. 18 U.S.C. 2311-2313. 18 U.S.C. 2314.

The Federal Bureau of Investigation (FBI) has recognized that with its limited resources it could never adequately investigate all crimes within its jurisdiction. Thus in 1975, the FBI implemented a quality over quantity concept in case workload to eliminate marginal investigations or matters not warranting Federal attention. To achieve its strategy of concentrating on quality cases, the FBI must rely on State and local police and prosecutors.

Findings/Conclusions: Although Justice Department policymakers clearly support the quality over quantity strategy, it has not been effectively integrated into the day-to-day operations of FBI field offices and U.S. attorneys' offices. Statistics showed that in 253 of the 467 sample cases, the FBI never attempted to coordinate with the State/local police. Also, 56 percent of the cases were closed or declined because of no Federal violation. Moreover, in the property crimes area, conflicting requirements and a lack of reliance on State/local assistance have perpetuated the heavy load of nonquality unproductive cases for the FBI. Currently, the FBI believes it should concentrate its investigations on interstate shipment thefts and interstate transportation of stolen property to quality cases over $50,000. However, U.S. attorneys have prosecutive guidelines that require FBI involvement in offenses that exceed $5,000, the amount established by law as being a Federal offense. Thus, although limiting FBI involvement in cases where Federal jurisdiction is lacking or uncertain is a readily accepted goal, it is not easily implemented.

Recommendations: The Attorney General, Department of Justice, should: (1) direct U.S. attorneys to change their prosecutive policies for property crimes to agree with FBI quality criteria; (2) determine corrective actions needed to establish or properly administer permanent Federal-State Law Enforcement Committees in each State; and (3) require that the FBI refer to the appropriate local authorities the property cases it closes and those which U.S. attorneys decline for prosecution involving violations of local laws. Additionally, the Attorney General should require the FBI to: (1) minimize FBI involvement in property crimes not warranting a Federal presence by developing guidelines that stress greater reliance on State and local law enforcement agencies; (2) maximize its efforts against major interstate property crimes by more aggressively identifying and investigating top property criminals; and (3) revise its quality criteria to exclude cases where Federal jurisdiction is uncertain. Congress should strike the reference to $5,000 from the statute governing the interstate transportation of stolen property so that Federal jurisdiction can be directed to those offenses where an expenditure of Federal resources would have the most impact on the Nation's property crime problem.

Agency Comments/Action

No action had been taken on the recommendations as of September 30, 1981.

Appropriations

Salaries and expenses/criminal, security, and other investigations - Department of Justice, Federal Bureau of Investigation

Salaries and expenses/U.S. attorneys - Department of Justice, Executive Office for United States Attorneys

Appropriations Committee Issues

The $5,000 reference in the statute governing the interstate transportation of stolen property should be struck. Greater reliance on State and local law enforcement agencies needs to be stressed.

DEPARTMENT OF JUSTICE

EXECUTIVE OFFICE FOR UNITED STATES ATTORNEYS
FEDERAL BUREAU OF INVESTIGATION

From Quantity to Quality: Changing FBI Emphasis on Interstate Property Crimes--A Supplement (GGD-80-43(A), 8-14-80)

Budget Function: Administration of Justice: Federal Law Enforcement Activities (0751)

This supplement to an earlier GAO report contains the Department of Justice's comments on the GAO analysis. The Department supported the GAO recommendation to change the legislation but has taken issue with the remaining findings, conclusions, and recommendations. They gave no indication that substantial changes would be forthcoming in either prosecutive or investigative policies and practices. GAO believes that existing Federal policies and practices insure that the Federal Bureau of Investigation (FBI) will continue to handle many nonquality property crime matters without solution and/or prosecution. They will be duplicating the work of State/local law enforcement agencies contrary to the cause of improving relationships with such agencies. GAO believes that their original recommendations are still valid after evaluating the Department's comments.

Findings/Conclusions: The FBI has recognized that, with its limited resources, it could never adequately investigate all crimes within its jurisdiction. They implemented procedures in case workload to eliminate marginal investigations or matters not warranting Federal attention. To concentrate on quality cases, they must rely on State and local police and prosecutors. The program has not been effectively integrated into day-to-day operations of FBI field offices and U.S. attorneys' offices. Conflicting requirements and a lack of reliance on State/local assistance work to perpetuate the heavy load of low priority unproductive cases. Department of Justice officials disagree about the types of cases the FBI should be involved in from the outset and those that should be left to local authorities. In a GAO study of FBI field office operations, only 14 percent of the cases investigated resulted in the FBI recovering stolen property and 93 percent were not prosecuted. The FBI will not fully achieve a quality property crime caseload until U.S. attorneys' prosecutive policies and FBI investigative priorities are coordinated. Improved coordination between the FBI and State/local law enforcement agencies is needed to determine the appropriate role of each in the initial investigation of property crimes. By concentrating resources on major interstate property thefts, the Government is much more likely to prosecute major property criminals and thieves and recover substantial amounts of stolen property.

Recommendations: The Attorney General should direct U.S. attorneys to change their prospective policies for property crimes to agree with FBI quality criteria. The Attorney General should require the FBI to: minimize its involvement in property crimes not warranting a Federal presence by developing guidelines that stress greater reliance on State and local law enforcement agencies; maximize its efforts against major interstate property crimes by more aggressively identifying and investigating top property criminals; and revise its quality criteria to exclude cases where Federal jurisdiction is uncertain. Congress should strike the reference to $5,000 from the statute governing the interstate transportation of stolen property so that Federal jurisdiction can be directed to those offenses where an expenditure of Federal resources would have the most impact on the Nation's property crime problem.

Agency Comments/Action

No action has been taken on the basis of the recommendations.

Appropriations

Salaries and expenses/criminal, security and other investigations - Department of Justice, Federal Bureau of Investigation

Salaries and expenses/U.S. attorneys - Department of Justice, Executive Office for United States Attorneys

Appropriations Committee Issues

The $5,000 reference in the statute governing the interstate transportation of stolen property should be struck. Greater reliance on State and local law enforcement agencies needs to be stressed.

DEPARTMENT OF JUSTICE

FEDERAL BUREAU OF INVESTIGATION

Special Agents Should Be Phased Out as FBI Crime Laboratory Examiners (GGD-80-60, 7-18-80)

Budget Function: Administration of Justice: Federal Law Enforcement Activities (0751)

Within the criminal justice community, the high costs of the special pay and retirement benefits granted to law enforcement officers have prompted analysis of the need for officers to staff support positions. The Federal Bureau of Investigation (FBI) crime laboratory represents an untapped opportunity to achieve economies by replacing special agents with civilian examiners. Of the four major Federal crime laboratories, only the FBI uses special agents as laboratory examiners. The FBI believes that special agent examiners bring an extra dimension to the analysis of physical evidence. It claims that agent/examiners provide superior examination services, make better court witnesses, and perform better field support functions. These views are not fully shared by the heads of other Federal laboratories; nor are they supported by the users of the laboratories, the majority of the examiners, and Federal prosecutors.

Findings/Conclusions: While having special agents as examiners has some benefits, the benefits are largely intangible and infrequent and, therefore, do not outweigh the added costs. Specifically, GAO found that: (1) officials at other Federal laboratories believed the use of agent/examiners was not essential; (2) laboratory examiners, FBI agent/examiners included, did not believe that investigative experience was useful in performing the majority of physical evidence analyses, and investigative experience did not alter the nature of laboratory examinations; (3) investigators who used Federal laboratories were equally satisfied with the services provided by all laboratories; (4) Federal prosecutors believed examiners from all Federal laboratories provided effective court testimony; and (5) FBI agent/examiners rarely performed field investigative support. The FBI laboratory is concerned that civilian staffing would lead to personnel turnover, resulting in an unstable workforce and high training costs. However, other Federal crime laboratories report no problems in retaining personnel. Finally, the use of special agent personnel imposes significant additional costs compared to civilian personnel. These costs arise because criminal investigators are usually higher graded and receive special retirement benefits. GAO estimates that annual cost savings of over $500,000 are possible. Firm estimates of the potential cost savings depend on decisions regarding staffing and compensation.

Recommendations: The Attorney General should direct the FBI to develop and implement a plan leading to the orderly transition to a civilian workforce in the FBI crime laboratory. Such a plan would necessarily include a position classification and staffing study, and it would be useful to request the services of the Justice Department's Position Classification and Pay Management Group, or the Office of Personnel Management's Agency Compliance and Evaluation Group. Both groups have expertise in performing classification studies and in developing cost estimates for alternative staffing practices.

Agency Comments/Action

The Department of Justice recognized that some cost savings could be effected. However, it does not believe that such savings warrant a change from the current proven system.

Appropriations

Forensic services - Department of Justice, Federal Bureau of Investigation

Appropriations Committee Issues

By phasing out its special examiners in favor of a civilian workforce, the FBI could reduce its spending. The Committees should monitor the action of the FBI on this issue.

DEPARTMENT OF JUSTICE

FEDERAL BUREAU OF INVESTIGATION

Faster Processing of DOD Personnel Security Clearances Could Avoid Millions in Losses (GGD-81-105, 9-15-81)

Budget Function: National Defense: Department of Defense - Procurement & Contracts (0058)
Legislative Authority: Executive Order 12065.

As part of a continuing review, GAO reported on the delays in the processing of security clearances for the Department of Defense (DOD) and contractor personnel. These delays are costly and increase the risks to national security. This is the sixth in a series of reports reviewing the protection of national security information. In accordance with Executive Order 12065, national security information is classified at three levels--top secret, secret, and confidential. To obtain a clearance, several types of investigations are necessary. These include a background investigation and a national agency check which includes an examination of criminal and security files at the Federal Bureau of Investigation (FBI) and other Federal agencies.

Findings/Conclusions: Requests for security clearances increased approximately 18 percent between 1978 and 1980, and estimates for 1981 and subsequent years show a continuing increase. Although DOD standards for processing requests for background investigations and national agency checks are 90 and 30 days, respectively, as of May 1981, industry requests for clearances were taking an average of 220 and 103 days, respectively. GAO estimated that the delays in processing DOD requests could cost about $580 million in 1982. Furthermore, in July 1981, the Secretary of Defense was notified that clearance delays resulted in costly slippage in initiation or schedules of classified contracts and some degradation of operational readiness. The urgency of some of the programs and the extensive delays in obtaining clearances have forced DOD to issue an increasing number of interim clearances. These clearances are followed at a later date by background investigations and national agency checks. Some interim clearances have been revoked because the subsequent investigations disclosed derogatory information. GAO believes that the increase in the use of interim clearances increases the risks to national security. The size of the Defense Investigative Service making investigations required for top secret and secret clearances has not kept pace with the increase in clearance requests. GAO believes that additional investigators and support staff are needed to reduce the time involved in obtaining a clearance.

Recommendations: The Secretary of Defense should reprogram the 1982 budget to provide the authority to the Defense Investigative Service to hire the additional personnel needed to expedite the investigation and processing of personnel security clearances. The Attorney General should request, and the Director, Office of Management and Budget, should approve authority for the FBI to increase the number of personnel in the Identification Division. The Attorney General should expedite the implementation of the proposed automation program in the Identification Division.

Agency Comments/Action

The Department of Defense has programmed for 200 of the additional investigators needed by the Defense Investigative Service.

Appropriations

Fingerprint identification - Department of Justice, Federal Bureau of Investigation
Personnel security clearances - Defense Investigative Service

DEPARTMENT OF LABOR

Department of Labor Has Failed To Take the Lead in Promoting Private Sector Productivity (AFMD-81-10, 12-4-80)

Budget Function: General Government: Executive Direction and Management (0802)
Legislative Authority: Labor Management Cooperation Act of 1978. Comprehensive Employment and Training Act of 1973. Executive Order 12089.

Productivity improvement is a critical factor underlying economic growth and prosperity. The National Productivity Council is directed to act as a focal point in the executive branch for efforts to improve productivity in the private and public sectors of the economy. The Department of Labor has been directed to provide Federal leadership in productivity growth through improvement and innovative utilization of employee skills and capabilities, protection and improvement of the quality of working life in conjunction with productivity improvement, and labor-management cooperation in productivity growth.

Findings/Conclusions: GAO found that the Department of Labor has done very little to fulfill this leadership mandate because of the low priority which it assigned to this responsibility. Its existing, legislatively mandated programs do not have a direct focus on productivity, and it has developed no new programs in response to the President's directive. Labor's failure to respond to the President's directive and provide leadership has hampered Federal efforts to improve private sector productivity. Because there are no funds in Labor's annual appropriation specifically earmarked for implementation of productivity improvement, Labor must use general funds from other programs for this program.

Recommendations: Congress should enact the following provisions into law. The Secretary of Labor shall establish an organizational unit at the Assistant Secretary level to serve as a focal point for Federal efforts to increase productivity within the private sector through more effective use of human resources, while at the same time protecting and promoting the economic and social well-being of workers. The organizational unit will (1) develop, monitor, and update a Department-wide human resource productivity plan; (2) coordinate productivity programs within the Department and among departments and agencies with human resources productivity programs; (3) monitor and evaluate the productivity impact of Department of Labor programs; (4) provide liaison with the private sector organizations concerned with human resources productivity; and (5) support research, information dissemination, and technical and financial assistance for private sector efforts to enhance human resources productivity. The Secretary of Labor should assign specific leadership responsibilities to agencies within the Department. The Secretary of Labor should establish an ad hoc group within the Department to assess program needs; consult with business, labor, and academic leaders to determine appropriate actions for the Department to take to improve productivity; define program goals and objectives, plan implementation; and recommend organizational changes for the Department. The Secretary of Labor should create a focal point at the Assistant Secretary level to prepare specific program goals and objectives, to coordinate and monitor the Department's programs, and to coordinate programs with other agencies.

Agency Comments/Action

In its response under Section 236 of the Legislative Reorganization Act of 1970, the Department of Labor concurred with the GAO recommendations to the Secretary of Labor, but has taken no action to implement them. The Department maintains that it has addressed its assigned responsibilities under the memorandum implementing Executive Order 12089. The Department has stated that assignments have been carried out and that it is fulfilling its productivity leadership mandate through existing programs.

Appropriations

Private sector productivity and quality of working life activities - Department of Labor

Appropriations Committee Issues

The Department of Labor has not implemented its leadership role as directed by the President under Executive Order 12089 because of the low priority assigned to this responsibility by the Department. The low priority is best demonstrated by the fact that Labor has neither requested specific funding for this effort in its annual appropriation nor used funds available from other programs. To encourage Labor to place more emphasis on productivity improvement, Congress should enact legislation to hold the Secretary of Labor accountable for the results of the Department's productivity efforts. This issue was discussed on September 9, 1981, during hearings on the Human Factor in Innovation and Productivity before the Subcommittee on Science and Technology, House Committee on Science and Technology.

DEPARTMENT OF LABOR

Measurement of Homeownership Costs in the Consumer Price Index Should Be Changed (PAD-81-12, 4-16-81)

Budget Function: Education, Training, Employment and Social Services: Other Labor Services (0505)

Many economists, members of Congress, and others have questioned whether the consumer price index (CPI) as presently constructed by the Department of Labor's Bureau of Labor Statistics (BLS) is an appropriate measure of the rate of price change for the uses to which it is put. In particular, they have charged that the present method of measuring homeownership costs does not accurately reflect the rate of price change experienced by homeowners in paying for their housing. GAO determined the validity of these concerns and evaluated alternative methods of measuring changes in homeownership costs in the CPI.

Findings/Conclusions: Homeownership costs have a relative importance of about 23 percent in the CPI. The present homeownership component of the CPI measures changes in the cost of purchasing, financing, and maintaining houses. Because of its emphasis on these cost changes the CPI homeownership component does not measure either the average change that all homeowners experience or the change in cost for an average homeowner. In addition, the present approach to measuring homeownership costs allows no logical determination of the weight assigned to expenditures on housing in calculating the overall CPI. User cost and nominal outlays are two widely discussed conceptual approaches to measuring the cost of consuming housing services. The user approach measures full economic costs of consuming housing services. The nominal outlays method includes only out-of-pocket expenses, not the full economic costs that homeowners incur. Rental equivalence and a user cost index are two methods of measuring user cost. Rental equivalence views the user as the rental income that homeowners forgo by residing in their houses rather than renting them to others. Both the rental equivalence and nominal outlays approaches to measuring the cost of consuming owner-occupied housing services have substantial merit. BLS currently publishes five experimental measures of CPI in which homeownership costs are measured by rental equivalence, user cost indexes, and nominal outlays.

Recommendations: Congress should rely on the revised CPI-U in forming economic policy and amend the legislation, if necessary, to use the revised CPI-U as the index by which Social Security payments, Civil Service and other Government retirement pensions, and other entitlement and transfer programs indexed in the CPI are adjusted. The Appropriations committees of Congress should consider favorably any Bureau of Labor Statistics requests for additional funds for the purpose of modifying the homeownership components of the CPI as GAO has recommended. The Secretary of Labor should determine that the existence of long term contracts incorporating CPI-W and a widespread desire among private sector groups to have available an index of consumer prices using the present approach provide sufficient reasons for maintaining such an index. The Secretary of Labor should direct the Commissioner of the BLS to amend indexes of consumer prices published by BLS by substituting a flow-of-services approach to measuring the cost of consuming owner-occupied services for the present method of measuring homeownership costs.

Agency Comments/Action

In compliance with section 236 of the Legislative Reorganization Act of 1970, the BLS Commissioner wrote a letter to the Acting Comptroller General, as well as the appropriate congressional committees, in which it said that BLS is requesting funds to continue research on the rental equivalency method of measuring homeownership costs, one of the two methods which GAO suggested had merit.

Appropriations

Consumer Price Index - Department of Labor, Bureau of Labor Statistics

Appropriations Committee Issues

Since BLS did not request funds to change the CPI as GAO recommended, the Committees will not have to act on them. However, approving funds for further BLS development of a rental equivalency measure would be consistent with the GAO recommendation.

DEPARTMENT OF LABOR

Stronger Federal Efforts Needed for Providing Employment Opportunities and Enforcing Labor Standards In Sheltered Workshops

(HRD-81-99, 9-28-81)

Budget Function: Education, Training, Employment and Social Services: Training and Employment (0504)
Legislative Authority: Rehabilitation, Comprehensive Services and Developmental Disabilities Amendments of 1978 (P.L. 95-602; 42 U.S.C. 1382(d); 42 U.S.C. 1397 et seq.; P.L. 93-112; 29 U.S.C. 701 et seq.; P.L. 90-526; P.L. 92-595; P.L. 96-302; 15 U.S.C. 636(h); P.L. 89-286; 41 U.S.C. 351 et seq.; P.L. 74-846; 41 U.S.C. 35 et seq.; P.L. 91-596; 29 U.S.C. 251 et seq.; 92 Stat. 2955; 87 Stat. 355; 82 Stat. 1064; 86 Stat. 1314; 94 Stat. 839; 79 Stat. 1034; 49 Stat. 2036; 84 Stat. 1590). Comprehensive Employment and Training Act of 1973 (P.L. 93-203; 87 Stat. 839). Fair Labor Standards Act of 1938 (P.L. 75-718; 29 U.S.C. 201 et seq.; 52 Stat. 1060). Fair Labor Standards Amendments of 1966 (P.L. 89-601; 80 Stat. 830). Wagner-O'Day Act (Handicapped-Made Products, Government Purchase) (41 U.S.C. 46 et seq.; P.L. 92-28; 85 Stat. 77). Mental Retardation Facilities and Community Mental Health Centers Construction Act (P.L. 88-164; 77 Stat. 282). Developmental Disabilities Services and Facilities Construction Amendments of 1970 (P.L. 91-517; 42 U.S.C. 6001; 84 Stat. 1316). Social Security Amendments of 1965 (42 U.S.C. 422 et seq.). Social Security Amendments of 1967. Social Security Amendments of 1972. Social Security Amendments of 1974. Vocational Rehabilitation Act of 1973. Vocational Education Act. Small Business Investment Act Amendments of 1972. Small Business Amendments of 1980. Service Contract Act of 1965. Walsh-Healey Act (Government Contracts). Occupational Safety and Health Act of 1970. Portal-to-Portal Act of 1947. Internal Revenue Code (IRC). 29 C.F.R. 775.2. P.L. 89-333. National League of Cities v. Usery, 426 U.S. 833 (1976). H. Rept. 92-228. 18 U.S.C. 4121. 26 U.S.C. 170. 26 U.S.C. 2055. 26 U.S.C. 2522. 79 Stat. 1282.

Sheltered workshops, established at the State and local levels, provide both training and employment for the physically and mentally handicapped. GAO was asked to review the role of sheltered workshops in (1) employing the handicapped, and (2) operating in the competitive business community. GAO focused primarily on the administration and enforcement of the Fair Labor Standards Act's provisions relating to handicapped workers employed in the sheltered workshops and the administration of the federally sponsored procurement program established by the Wagner-O'Day Act.

Findings/Conclusions: The Fair Labor Standards Act authorizes Labor to issue special certificates to sheltered workshops for employing handicapped workers at wage rates lower than the minimum wage. Special exemptions are needed to prevent possible curtailment of employment opportunities for handicapped workers who are not able to produce at the subminimum wage rate. The majority of sheltered workshop workers are now paid based on their individual productivity and, if the Federal subminimum wage requirement were eliminated, the workshops would still be required to base the workers' wages on individual productivity. Elimination of the requirement would permit Labor to simplify the process for certifying the eligibility of sheltered workshops to pay handicapped workers less than the minimum wage. Enforcement of Federal labor standards needs to be strengthened. The Act's provisions concerning wages based on handicapped workers' individual productivity cannot be enforced by Labor if the resulting wage rate exceeds the statutory minimum. Also, employment opportunities for the handicapped under the program are not adequately evaluated. Federal laws may provide a competitive advantage for sheltered workshops over private businesses. However, the workshops generally incur added costs which may offset the effect of whatever competitive advantages a workshop may receive.

Recommendations: Congress should amend the Fair Labor Standards Act to eliminate the provision that handicapped persons who are employed under special Labor certificates in sheltered workshops must not be paid less than 50 percent of the statutory minimum wage. Congress should consider amending the Fair Labor Standards Act to extend Labor's authority for enforcing the provision that a handicapped worker's wages must be commensurate with those paid nonhandicapped workers. Congress should amend the Wagner-O'Day Act to require that the Committee for Purchase from the Blind and Other Severely Handicapped notify directly affected suppliers of the Committee's intent to consider the suitability of a product or service for procurement from a sheltered workshop. Congress should consider requesting the Committee for Purchase from the Blind and Other Severely Handicapped to assess its oversight responsibilities and provide Congress with an estimate of the resources needed for an adequate level of Federal oversight. Congress should amend the Wagner-O'Day Act to require that sheltered workshops meet a specific standard for the percentage of handicapped direct labor hours on all commodities produced and/or services provided under the program. Specifically, the Act's 75-percent requirement for measuring a workshop's program eligibility should be adopted as the standard because it appears to provide a reasonable basis for assessing whether the employment opportunities created by the program are used primarily for handicapped workers. Congress should amend the Wagner-O'Day Act to recognize that employment oportunities created by the program should be used, to the maximum extent, for preparing handicapped persons to engage in competitive employment outside the workshop. The Secretary of Labor should decide whether the requirements of the Fair Labor Standards Act should be applied to publicly operated sheltered workshops. The Secretary of Labor should strengthen management control over the planning, implementation, and evaluation of the investigating process for sheltered workshops' compliance with the requirements of the Fair Labor Standards Act by: (1) requiring regional and area offices to specify a level of staff resources for making workshop investigations; and (2) designating specific compliance officers in each regional or area office to develop expertise for making workshop investigations. The Secretary of Labor should establish management controls for assuring that sheltered workshop investigations are made on a uniform basis nationwide. Each investigation should include all analyses needed to determine a workshop's compliance with the Fair Labor Standards Act's requirements, including examinations of the: (1) production standards used for establishing piece rates; (2) productivity evaluations used for establishing hourly wage rates; (3) procedures used to determine and document prevailing wage rates; (4) systems used to develop and maintain individual productivity records, time studies, performance evaluations, and records of total hours worked; and (5) procedures used for increasing individual wage payments to comply with the terms and conditions of a special certificate. The Chairman of the Committee for Purchase from the Blind and Other Severely Handicapped should establish procedures for verifying the accuracy of the reports submitted by the workshops for the number of direct labor hours worked by handicapped and nonhandicapped workers. The Chairman of the Committee for Purchase from the Blind and Other Severely Handicapped should establish procedures for evaluating the adequacy of the commission rate and the commissions received by the central nonprofit agencies. The Chairman of the Committee for Purchase from the Blind and Other Severely Handicapped should revise the Federal regulations and Committee procedures to require that each participating sheltered workshop submit information on the estimated direct labor hours for handicapped and nonhandicapped workers for each action proposing the addition to the procurement list of a product or group of products or a service. The Chairman of the Committee for Purchase from the Blind and Other Severely Handicapped should revise the Federal regulations and Committee procedures to require that each participating sheltered workshop report the placements into competitive employment attributable to the employment opportunities created by the Javits-Wagner-O'Day Program. The Chairman of the Committee for Purchase from the Blind and Other Severely Handicapped should establish a system for monitoring the percentage of total direct labor hours performed by handicapped and nonhandicapped workers in each participating workshop in the production of commodities or provision of services under the Javits-Wagner-O'Day Program. As a minimum, the system should require that each participating sheltered workshop submit information in its annual report showing the total direct labor hours for handicapped and nonhandicapped workers for all products produced and/or services provided to the Federal Government under the Javits-Wagner-O'Day Program.

Agency Comments/Action

The Department of Labor generally agreed with GAO recommendations and indicated that it would take appropriate action to implement most of them. The Committee for Purchase from the Blind and Other Severely Handicapped agreed with some of the recommendations and proposed action to implement them. At a September 28, 1981, press conference announcing the publishing of the report, Representative Barry M. Goldwater, Jr. stated his intention to introduce legislation to implement the recommendations directed to Congress. These recommendations included those with which the Committee for Purchase from the Blind and Other Severely Handicapped disagreed.

Appropriations

Minimum wage - Department of Labor, Employment Standards Administration
Javits-Wagner-O'Day Program - Committee for Purchase from the Blind and Other Severely Handicapped

Appropriations Committee Issues

The Committees should be concerned that the rules and regulations for administering the Javis-Wagner-O'Day Program are strengthened so that the program's goals and objectives are achieved efficiently and effectively.

DEPARTMENT OF LABOR

EMPLOYMENT AND TRAINING ADMINISTRATION

Unemployment Insurance: Need To Reduce Unequal Treatment of Claimants and Improve Benefit Payment Controls and Tax Collections

(HRD-78-1, 4-5-78)

Budget Function: Income Security: Unemployment Insurance (0603)
Legislative Authority: Social Security Act (42 U.S.C. 501). Wagner-Peyser Act (29 U.S.C. 49). Federal-State Extended Unemployment Compensation Act of 1970 (P.L. 91-373, title II; 26 U.S.C. 3304). Emergency Unemployment Compensation Act of 1974 (P.L. 93-572; 26 U.S.C. 3304). Tax Reduction Act of 1975. Emergency Unemployment Compensation Extension Act of 1977. Emergency Jobs and Unemployment Assistance Act of 1974. Federal Unemployment Tax Act. P.L. 94-12, title VII. P.L. 95-19. P.L. 93-567. 26 U.S.C. 3301. 29 U.S.C. 961.

Unemployment insurance primarily provides temporary protection for qualified workers who lose jobs, until they can either be rehired or find new employment. Although Federal involvement has increased, program administration varies among jurisdictions, resulting in unequal treatment of claimants and in substantial costs to the unemployment insurance program.

Findings/Conclusions: There are no uniform standards to determine who is eligible for unemployment insurance benefits and what amounts can be received. Greater effort is needed to assure that claimants look for work. Control of overpayments is weak, and improvements are needed to recover overpayments. Improvements are also needed in measuring payment timeliness and in tax collection efforts.

Recommendations: Congress should establish uniform eligibility standards and methods for determining benefit amounts so that all claimants are treated equally. The Secretary of Labor should: disseminate results of new work test procedures which have been successful; encourage jurisdictions to establish special work test units; encourage jurisdictions to implement wage reporting to assure that data are available in all jurisdictions to identify overpayments through crossmatching; take appropriate steps to encourage jurisdictions to adopt the model crossmatch system; encourage jurisdictions to establish programs to detect overpayments to various groups of individuals, such as full-time students; encourage jurisdictions to develop and implement more aggressive techniques for recovering overpayments; revise regulations so that all jurisdictions measure timeliness and are evaluated in the same way; develop timeliness standards for payments made to ex-service personnel and Federal employees; encourage jurisdictions to adopt laws that provide agency officials with adequate authority to collect taxes; and require jurisdictions to develop and use more aggressive tax collection techniques.

Agency Comments/Action

Labor generally agreed with the GAO recommendations and plans to implement them. Labor disagreed, however, with the recommendation to Congress that it establish uniform eligibility standards and methods for determining benefit amounts so that all unemployment insurance claimants are treated equally. Labor said that although it believed some State law provisions produce inequitable results, it did not agree that the solution is uniform eligibility standards and methods of determining benefits amounts. No congressional or agency action had been taken as of September 30, 1981.

Appropriations

Grants to States for unemployment insurance and employment services - Department of Labor, Employment and Training Administration

Appropriations Committee Issues

Congressional action is needed to establish uniform eligibility standards and methods for determining unemployment insurance benefit amounts. Implementation of this recommendation would assure uniform eligibility of claimants. However, differences in benefit amounts payable among the States will continue. GAO believes that implementation of this recommendation would achieve a desirable goal.

DEPARTMENT OF LABOR

EMPLOYMENT AND TRAINING ADMINISTRATION

Job Corps Should Strengthen Eligibility Requirements and Fully Disclose Performance (HRD-79-60, 7-9-79)

Budget Function: Education, Training, Employment and Social Services (0504)
Legislative Authority: Comprehensive Employment and Training Act of 1973.

To determine whether the Job Corps effectively enhances the employability of its target population, GAO reviewed data and visited some 12 Job Corps centers, selected recruitment and placement agencies, and other training programs serving the disadvantaged.

Findings/Conclusions: The Job Corps program has serious problems including the following: (1) little assurance exists that the Job Corps is serving only youths who need to be removed from their environment as the Congress intended; (2) inadequate criteria for determining a placement rate and questionable placement data allow the Corps to depict the program in a very favorable light, but the rate does not provide adequate information to properly assess effectiveness; and (3) based on initial steps taken to determine the Corps' long-term impact on earnings, graduates, while earning more than nongraduates, do not earn enough to break the poverty cycle.

Recommendations: The Secretary of Labor should establish specific guidelines in accordance with Congressional intent to enable recruiters to identify youths who need a residential program to successfully participate in training; monitor to see that reruiters properly determine eligibility and give applicants a full understanding of the program and information on what will be expected of them; if monitoring is ineffective, determine the feasibility of a uniform intake process to serve all Labor employment and training programs for youths; and explore the use of vocational skills aptitude testing as part of the recruiting process. Regarding placements, the Secretary should compute and report to the Congress additional placement information, including a placement rate based on the total number of terminees. The rate should be accompanied by analysis to distinguish between full- and part-time employment. He should revise the placement definintion to include requirements that a placement (1) be counted only for those who spend a minimum amount of time in Job Corps, (2) be made within a prescribed maximum amount of time following termination, and (3) be effective for a prescribed minimum amount of time. He should also require that Job Corps randomly validate reported placements. Furthermore, the Secretary should evaluate Job Corps' impact on terminees' long-term earnings.

Agency Comments/Action

Although Labor advised congressional committees that it agrees with most of the recommendations, it does not appear that Labor plans to establish specific eligibility guidelines. Unless such guidelines are established, eligibility determinations are not very meaningful, and Labor cannot demonstrate that Job Corps is serving only those needing this costly last resort program. Labor has reported that it has taken steps to shorten the length of time between termination and the acceptance of a placement report. However, Labor disagreed with the GAO recommendation to revise the placement definition. Until Labor changes the definition, the placement rate, which is a principal measure of program effectiveness, will continue to be overstated and misleading.

Appropriations

Job Corps - Department of Labor, Employment and Training Administration

Appropriations Committee Issues

To assure that program funds are spent in accordance with congressional intent, the Committees should require Labor to demonstrate, through tightened eligibility requirements, that Job Corps serves only youths who need to be removed from their environment. Also, when determining the proper funding level for Job Corps, the Committees should require Labor to portray its impact realistically through a revised placement definition.

DEPARTMENT OF LABOR

EMPLOYMENT AND TRAINING ADMINISTRATION

Unemployment Insurance - Inequities and Work Disincentives in the Current System (HRD-79-79, 8-28-79)

Budget Function: Education, Training, Employment and Social Services: Training and Employment (0504)
Legislative Authority: Social Security Act (42 U.S.C. 501). Wagner-Peyser Act (Federal Employment Service) (29 U.S.C. 49). Federal-State Extended Unemployment Act of 1970 (P.L. 91-373; 26 U.S.C. 3304n).

Enacted as a Federal-State program under the Social Security Act, unemployment insurance was established to provide a temporary income to unemployed workers and to help stabilize the economy by maintaining the purchasing power of laid-off workers. About 8 million people received $9.7 billion in compensation during 1978. Normally, States pay 26 weeks of compensation, but during periods of high unemployment, they pay additional weeks. Weekly compensation in most States is half of the recipient's average weekly gross wage before becoming unemployed, up to a maximum limit.

Findings/Conclusions: In interviews with 3,000 persons receiving unemployment compensation, GAO found that compensation, either alone or combined with other income, replaced an average 64 percent of the recipient's net income before unemployment; about 7 percent replaced over 100 percent. Persons who replaced over 75 percent of their net before unemployment collected compensation over 2 weeks longer than those who replaced 75 percent or less; were more apt to exhaust compensation; were most likely to have quit their most recent jobs; and generally held jobs similar to ones listed by the Employment Service. About 30 percent of these persons stated they had only a limited financial need to work. Factors limiting the financial incentive to work are: (1) increased taxes on workers' income; (2) supplementation of unemployment compensation by retirement income; (3) reduced expenses during unemployment; and (4) unequal computation of unemployment benefits.

Recommendations: Congress should consider the following as possible solutions to the inequities and disincentives in the program: including unemployment compensation in taxable income; reducing unemployment compensation by retirement income; and establishing a uniform methodology for determining compensation.

Agency Comments/Action

The Department of Labor differed with the GAO views on the possible ways suggested for the Congress to modify the unemployment compensation program so that recipients will be treated more equitably and have a better financial incentive to work. Labor stated that the report contained major methodological weaknesses which lead directly to unwarranted policy recommendations. Labor did agree, in principle, that taxing unemployment compensation would be more equitable. However, Labor does not agree that unemployment compensation should be reduced by retirement income nor should Congress establish a uniform methodology for determining compensation amounts. No congressional action had been taken as of September 30, 1981.

Appropriations

Employment and training assistance - Department of Labor, Employment and Training Administration

Appropriations Committee Issues

Congressional action is needed to reduce the inequities and work disincentives in the current unemployment compensation system. Implementation of uniform eligibility standards and methods for determining unemployment compensation benefit amounts would aid in achieving this goal.

DEPARTMENT OF LABOR

EMPLOYMENT AND TRAINING ADMINISTRATION

Congress Should Scale Down Redwood Employee Program Benefits (HRD-80-63, 7-8-80)

Budget Function: Education, Training, Employment and Social Services: Training and Employment (0504)
Legislative Authority: Regional Rail Reorganization Act of 1973 (P.L. 93-236). Trade Act of 1974 (P.L. 93-618). Extended Unemployment Compensation Act of 1970 (Federal-State) (P.L. 91-373). P.L. 90-545. P.L. 95-250.

In March 1978, when Congress added 48,000 acres to the Redwood National Park in northern California, it recognized that expansion of the park could adversely affect certain workers. Accordingly, the legislation also established the Redwood Employee Protection Program (REPP) which directed the Secretary of Labor to provide adversely affected workers with various forms of monetary and nonmonetary assistance. The law directed that laid off workers would receive benefits they would have received if they had not been laid off and that they be given benefits to assist in retraining and in obtaining employment outside the timber industry and the affected area. REPP was intended to assist only a relatively small group of workers in northern California. However, employees whose layoffs are not related to the 48,000 acre expansion of the park have qualified for benefits because the law presumes that layoffs within a specified period of time are related to park expansion.

Findings/Conclusions: The Department of Labor has not restricted the designation of affected employers to organizational units adversely affected by park expansion. An estimated 30 percent or more of the employees who have established program eligibility did so during temporary curtailments in their employment. Despite this increase in the number of eligible employees, some employees directly affected by park expansion have been denied program benefits due to legislative restrictions that prevented their employers from being certified as affected. Complex legislative requirements have caused administrative problems. The generous benefits have reduced the incentive to work and contributed to workers seeking layoffs in preference to staying on the job. Some provisions in the legislation have resulted in inconsistent and different treatment of employees in similar situations. Management deficiencies have hindered employee eligibility determinations and benefit entitlement processes; resulted in errors in benefit entitlements; and delayed employees' receipt of health, welfare, pension coverage, and retraining benefits. Authority and responsibility were not clearly defined for program components among groups involved. Timely guidance has not been provided to the California Employment Development Department, which is responsible for the daily administration of the program, nor have that department's procedures and controls been adequately evaluated. Health insurance benefits for most affected employees did not begin until 18 months after the program began, and pension coverge has not yet begun.

Recommendations: The Secretary of Labor should: develop criteria to restrict certification of affected employers to operations directly affected by park expansion; clarify the authority and responsibility of the various Labor groups involved with administering the program; provide guidance and direction to the California Employment Development Department on eligibility and benefit determination matters more promptly; evaluate the California Employment Development Department controls and procedures and take necessary action to insure that information supplied by employees and employers is routinely verified and that eligibility and benefit determinations and entitlement calculations are periodically checked; require that the California Employment Development Department adjust eligibility and benefit determinations affected by subsequent procedural changes and insure that benefit overpayments are collected; accelerate the implementation of health, welfare, and pension coverage; and define the level of technical and professional training that is reasonable and necessary to enhance an affected employee's prospects for obtaining suitable employment. Congress should amend the Redwood National Park Expansion Act of 1978 to: delete the conclusive presumption provision in section 203 of the law and require that the Secretary of Labor certify that layoffs are related to a decrease in operations caused by park expansion before program eligibility can be established; require Labor to identify program recipients whose eligibility has been established for reasons other than park expansion and terminate their eligibility for future benefits; and eliminate differences in eligibility requirements between union and nonunion employees.

Agency Comments/Action

Labor did not comment on the merits of the report recommendations to the Congress, but Labor generally agreed with the report recommendations to the Secretary of Labor regarding the administration of the program, and said it had already begun implementing most of them. However, Labor does not believe there is any opportunity for developing restrictive criteria to apply to the affected woods employees, nor does Labor believe such an effort would be compatible with the express language of the Act. Concerning the need to clarify the authority and responsibility of the various Labor groups involved with administering the program, Labor said it did not concur that any formalized clarification effort was necessary or appropriate. GAO does not agree with Labor's position. Although Labor cannot be faulted on a legal basis for its approach to certifying affected woods employees, GAO believes the legislation permits a narrower interpretation and that a more restrictive approach would help ensure that only persons whose layoff is caused by park expansion receive program benefits. GAO also disagrees with Labor's position that clarification of authority and responsibility is not needed. Although a Secretary's order formalizing the delegation of authority and assignment of responsibility exists for the major Labor organizational components administering the Redwood Employee Protection Program, the GAO review indicated that implementation of the program has been hindered by confusion over the roles and functions of Labor staff and that clarification is needed to correct these problems. The California Employment Development Department characterized the report as thorough, and generally agreed with the findings. The Department, however, believed that tying program benefits more closely to the regular unemployment insurance program appeared to exceed the need to accomplish constructive reforms and suggested alternative solutions.

Appropriations

Federal unemployment benefits and allowances - Department of Labor, Employment and Training Administration

Appropriations Committee Issues

Congressional action is needed to amend Title II of the Redwood National Park Act of 1968 to restrict the Redwood Employee Protection Program to park-related layoffs. Labor should also develop criteria and procedures to improve program operations.

DEPARTMENT OF LABOR

EMPLOYMENT AND TRAINING ADMINISTRATION

CETA Demonstration Provides Lessons on Implementing Youth Programs (HRD-81-1, 12-8-80)

Budget Function: Education, Training, Employment and Social Services: Training and Employment (0504)
Legislative Authority: Comprehensive Employment and Training Act of 1973. Youth Employment and Demonstration Projects Act of 1977. Manpower Development and Training Act of 1962. Economic Opportunity Act of 1964. P.L. 96-226.

The Department of Labor's Youth Incentive Entitlement Pilot Projects is a demonstration designed to test whether a guaranteed jobs program would induce economically disadvantaged youths to remain in or return to school and provide jobs to reduce the high unemployment rate among these youths. While retaining overall responsibility for the program, Labor contracted with a private corporation for the research design, management, and evaluation of the demonstration.

Findings/Conclusions: GAO found that most worksites provided adequate work experiences, but others had problems in job quality, supervision, job development, counseling, and worksite operation. Many sponsors experienced serious operational problems implementing or complying with program requirements. Labor and the managing corporation frequently intervened in sponsor operations, raising questions of whether the demonstration was a fair test of the guaranteed job concept and whether sponsors are capable of implementing such complex programs. Some sponsors had difficulty developing and sustaining sufficient jobs in the right locations, placed low priority on counseling, and did little worksite monitoring during the first year of the demonstration. Some problems were not identified and others, although identified, were not corrected. Some legislative and program requirements were largely ignored; others were too difficult to accomplish. Staff turnover was high. Many private sector jobs were with employers that normally hire young workers, minimizing the job creation impact of the program.

Recommendations: Congress should, if the Entitlement concept is to be extended or expanded to other sponsors or a similar program is adopted, assure that it is implemented gradually to allow sponsors time to develop the necessary management capacity. The Secretary of Labor should, if Entitlement is extended or expanded or a similar program is adopted, create, implement, and enforce adequate controls to prevent substitution. The Secretary of Labor should, if Entitlement is extended or expanded or a similar program is adopted, establish and enforce requirements that limit program management costs. The Secretary of Labor should, if Entitlement is extended or expanded or a similar program is adopted, increase efforts to promote cooperative relationships between sponsors, schools, and other organizations serving youths. If Entitlement is extended or expanded, or a similar program is adopted, the Secretary of Labor should help sponsors upgrade worksite supervision, job development, participant counseling, and sponsor monitoring. If Entitlement is extended or expanded or a similar program is adopted, the Secretary of Labor should require sponsors to strictly enforce reasonable attendance and academic standards thereby enhancing the program's credibility and effectiveness for both participants and the general public.

Agency Comments/Action

Labor did not comment on the merits of the GAO recommendation to Congress, but it did concur with all GAO recommendations to the Secretary of Labor should the program be extended or expanded, or a similar program adopted at some future date.

Appropriations

Employment and training assistance - Department of Labor, Employment and Training Administration

Appropriations Committee Issues

If a program embracing the Entitlement concept of a guaranteed job tied to an academic commitment is authorized for appropriations, the Committees should take appropriate funding action to assure that the program is implemented gradually to allow program operators time to develop the necessary management capacity.

DEPARTMENT OF LABOR

EMPLOYMENT AND TRAINING ADMINISTRATION

Weak Internal Controls Make the Department of Labor and Selected CETA Grantees Vulnerable to Fraud, Waste, and Abuse

(AFMD-81-46, 3-27-81)

Budget Function: Education, Training, Employment and Social Services: Training and Employment (0504)
Legislative Authority: Budget and Accounting Procedures Act of 1950. Comprehensive Employment and Training Act of 1973. Comprehensive Employment and Training Act Amendments of 1978. H.R. 350 (97th Cong.). H.R. 1526 (97th Cong.). GAO 7 24.1. GAO 7 25.6 GAO 7 27.6.

GAO reviewed activities in the Department of Labor and selected Comprehensive Employment and Training Act (CETA) grantees to determine (1) whether Labor had a system of internal controls to protect adequately against fraud, waste, and abuse; and (2) how grantees of the CETA Program protect against improper use of Federal funds and assets.

Findings/Conclusions: Internal controls over disbursements, receipts, and property management at Labor headquarters and four regional offices are not adequate to protect Federal funds and assets. The result is fraud and abuse of Federal funds at Labor headquarters, some regional offices, and selected CETA grantees. Labor officials have not sufficiently monitored CETA grantee programs and activities in terms of: (1) verifying internal controls; (2) ensuring that required audits are performed; and (3) ensuring that funds disbursed to grantees were spent in accordance with CETA legislation. Labor has initiated several efforts intended to improve its internal controls and visibility over grantee activities. When fully implemented, these actions should improve controls over receipts and disbursements. Although these actions should result in a more effective CETA Program, further improvements are still needed.

Recommendations: The Secretary of Labor should require regional offices to establish and/or effectively implement controls over separation of duties for those employees handling CETA cash receipts from prime sponsors. The Secretary of Labor should take action to correct the deficiencies that were cited. The Secretary of Labor should require that the payroll system include data on employees' outstanding travel advances so advances can be liquidated promptly through deduction from wages. The Secretary of Labor should more aggressively impose sanctions upon grantees who have not corrected previously known management and internal control deficiencies. The Secretary of Labor should require the Department to seek competitive bids on proposed procurements and to evaluate the results of a contractor's ongoing performance before granting additional funding. The Secretary of Labor should require Labor headquarters, regional offices, and all grantees to thoroughly review vendor-submitted invoices and compare them with supporting documentation to determine whether they are legitimate or have already been paid. The Secretary of Labor should require Labor's Comptroller to write and implement procedures governing the operation and maintenance of imprest funds and require periodic surprise audits of these funds. The Secretary of Labor should require the Inspector General's office to examine the automated procurement system and, after it is fully operational, determine whether controls built into the system are adequate to protect against payment of duplicate invoices. The Secretary of Labor should require the Department's payment services group to review disbursements to vendors who have previously received duplicate payments to determine whether more have occurred and, if so, take steps immediately to collect these duplicate payments. The Secretary of Labor should require the Department's Comptroller to implement consistently the employee termination procedure so that the office responsible for controlling travel advances must indicate whether a departing employee has an outstanding advance. The Secretary of Labor should require the Office of the Inspector General to audit the regular and supplemental payroll systems to ensure that improvements have been made and to determine whether they provide adequate controls over payroll disbursements. The Secretary of Labor should require the Office of the Inspector General to conduct reviews of prime sponsor independent monitoring units to ensure that: (1) Employment and Training Administration regulations are followed; and (2) they are properly staffed with personnel skilled in evaluating internal controls. The Secretary of Labor should require headquarters and regional office property staff to: (1) promptly enter newly purchased property into inventory records and into the general ledger system and to reconcile the records periodically; (2) take regular physical inventories; (3) segregate duties to provide adequate checks and balances; and (4) attend training courses that will increase their understanding of sound controls over property. The Secretary of Labor should require headquarters and regional office staff to ensure that audits of subgrantees are performed when required and that they include an evaluation of internal controls. The Secretary of Labor should require the Office of the Inspector General to determine the amount of resources necessary to perform needed audits as soon as the Department's responsibility under the single audit concept becomes clear. Resources should include the Labor audit staff and the funds necessary to engage independent public accountants and State or local government auditors. The Secretary of Labor should require headquarters and regional office staff and prime sponsors to aggressively enforce existing requirements that cash collections be safeguarded, recorded, and promptly deposited upon receipt.

Agency Comments/Action

The Department of Labor has implemented corrective action on 8 of the 16 recommendations. Labor has implemented corrective action such as: establishing new and updated control directives, technical assistance, and an internal control group; implementing an annual formal performance assessment to trigger sanctions of mandatory corrective action upon grantees; and providing training to ensure proper implementation of Labor's property handbook and guidelines.

DEPARTMENT OF LABOR

EMPLOYMENT AND TRAINING ADMINISTRATION

Labor Needs To Better Select, Monitor, and Evaluate Its Employment and Training Awardees (HRD-81-111, 8-28-81)

Budget Function: Education, Training, Employment and Social Services: Training and Employment (0504)
Legislative Authority: Comprehensive Employment and Training Act of 1973 (P.L. 95-524; 29 U.S.C. 801). Older Americans Act of 1965 (42 U.S.C. 3001 et seq.). Older Americans Act Amendments of 1975. Federal Grant and Cooperative Agreement Act of 1977 (41 U.S.C. 504). 41 C.F.R. 29-1.453. 29 U.S.C. 873.

The Department of Labor's Office of National Programs administers about $600 million each fiscal year in grant and contract awards under the Comprehensive Employment and Training Act and the Older Americans Act. GAO reviewed the activities of the Office to assess how well it carried out its administrative processes.

Findings/Conclusions: The Office often used sole-source awards for special projects and, for most of the awards reviewed, did not adequately consider the awardee's prior performance when making a renewal award. Because of the potential for better work agreements and lower costs resulting from competition, the Office should justify each instance when it considers only one organization for a special project award. For 140 of the sole-source awards reviewed, GAO found little evidence supporting the award decisions. The Office did not separate grant and contract management from program responsibilities. Consequently, most of the award activities, such as evaluating and negotiating proposals, were handled by program staff who placed little emphasis on following proper grant and contracting practices. More than two-thirds of the awards which GAO studied were not fully reviewed and negotiated. Many contained vague statements of the proposed work, questionable or unjustified costs, and budget errors. Some awardees were authorized to begin work before the awards were made without the Government's interests being protected by specifying the terms of the work authorizations. Many awardees were placed on a letter-of-credit payment system without adequate documentation that they met the system's requirements. The effective date of the award was frequently predated. The Office has not adequately monitored its awardees. When Office representatives identified awardee problems, they did not always attempt to resolve them. Also, GAO found many problems that had not been identified.

Recommendations: The Secretary of Labor should direct the Office of National Programs to place a greater emphasis on its monitoring activities. This emphasis should include: (1) increased site visits; (2) prompt identification, follow-up, and resolution of problems with awardee performance; (3) documentation in award files of substantive agreements, problems, resolutions, or outstanding issues; and (4) development of a system to ensure that awardees submit required reports. The Secretary of Labor should direct the Office of National Programs to prepare written assessments of an awardee's performance under prior awards before refunding the awardee. The Secretary of Labor should separate the Office of National Programs' grant and contract management functions from its program management functions. The award management function, including grant and contracting officer authority, should be independent of the Office of National Programs. The Secretary of Labor should require that the Office of National Programs' program offices fully carry out and document all evaluations of proposals and negotiations with applicants. The Secretary of Labor should require that the Office of National Programs' preaward authorization letters specifically state what the Government and awardees have agreed upon to protect the Government's interests. The Secretary of Labor should require that the Office of National Programs place awardees on letters of credit only after awardees document that they meet Federal requirements. The Secretary of Labor should require the Office of National Programs to begin award processing early enough so that award effective dates occur on or after the dates both parties sign the awards. The Secretary of Labor should request proposals for Indian program activities only after appropriations are known. The Secretary of Labor should direct the Office of National Programs to fully justify in writing all awards made on a noncompetitive basis. The Secretary of Labor should direct the Office of National Programs to make greater use of competitive awards for its special projects.

Agency Comments/Action

The Department of Labor has established a task force to develop detailed guidance and procedures for implementing the report's recommendations. The task force's targeted completion date is fall 1981.

Appropriations

Employment and training assistance - Department of Labor, Employment and Training Administration

DEPARTMENT OF LABOR

EMPLOYMENT AND TRAINING ADMINISTRATION

Department of Labor Needs To Give CETA Prime Sponsors More Guidance and Assistance for Implementing Monitoring Requirements

(HRD-81-136, 9-3-81)

Budget Function: Education, Training, Employment and Social Services: Training and Employment (0504)
Legislative Authority: Comprehensive Employment and Training Act Amendments of 1978 (P.L. 95-524).

GAO reviewed the Comprehensive Employment and Training Act (CETA) prime sponsor's activities in region 1 for implementing the independent monitoring unit (IMU) function required by the Comprehensive Employment and Training Act Amendments of 1978.

Findings/Conclusions: GAO found that, because the IMU was a new function, prime sponsors looked to Labor for guidance and assistance in setting up the units and in carrying out the requirements of the 1978 amendments. However, the prime sponsors generally received little guidance on what resources they should devote to the IMU and what practices and procedures should be followed in carrying out the monitoring function. This condition led to wide variances in the IMU monitoring activities. A major contribution to this situation was that IMU staffs were small and members lacked training or expertise in the use of monitoring techniques, especially in the area of financial management.

Recommendations: The Secretary of Labor should direct the Regional Administrators to (1) give prime sponsors better guidance on determining the appropriate staff sizes for an IMU, and (2) help prime sponsors develop or obtain periodic training for their staffs on the objectives and requirements of the 1978 amendments.

Agency Comments/Action

As of October 19, 1981, no comments had been received from Labor on the actions it plans to take on the recommendations.

Appropriations

Employment and training assistance - Department of Labor, Employment and Training Administration

DEPARTMENT OF LABOR

EMPLOYMENT STANDARDS ADMINISTRATION

Improvements Still Needed in Administering the Department Of Labor's Compensation Benefits for Injured Federal Employees.
(HRD-78-119, 6-28-78)

Budget Function: Income Security: Federal Employee Retirement and Disability (0602)
Legislative Authority: Federal Employees' Compensation Act (5 U.S.C. 8101).

The Federal Employees' Compensation Act, as amended, provides for paying compensation benefits for the disability or death of Federal civilian employees injured or killed while performing their duties. These benefits include compensation for loss of wages, dollar awards for bodily impairment, medical care for an injury or disease, rehabilitation services, and compensation for survivors.

Findings/Conclusions: Although the number of civilian employees in the Government has remained fairly constant, from fiscal year 1970 through fiscal year 1977, injuries reported by employees increased by 72.1 percent; claims increased by 70.3 percent; persons drawing compensation for extended periods increased by 90 percent; and benefits paid increased by 315.1 percent. In about 41 percent of the 233 cases reviewed, the Office of Worker Compensation Programs (OWCP) awarded benefits without adequately establishing a causal relationship between the employee's disability or death and his or her employment. Many benefits were awarded without adequate supporting medical evidence, supporting medical rationale, or resolution of conflicting medical evidence. Other factors contributing to OWCP's improper determination of benefits involved a lack of onsite investigations and personal contact and a lack of agency appeal rights. District offices visited did not systematically review the condition and status of injured employees who received benefits for extended periods.

Recommendations: The Secretary of Labor should instruct all officials and employees of OWCP that they are responsible for making claims determinations that are equitable to the employee, the Federal Government, and the taxpayers; and their responsibilities require that benefits be denied in all cases in which adequate medical and other evidence are not provided establishing that the employee's injury was work related. The OWCP should: make onsite investigations of all claims in which causal relationship is not conclusively shown, place as much emphasis on decisions to approve as those to deny benefits, and install a management information system. The Director of the Office of Management and Budget should consider placing specific monitoring and vocational rehabilitation responsibilities in the employing agencies. Congress should amend the Act to place in the employing agencies the authority to appeal any finding of causal relation which is not consistent with or supported by available evidence.

Agency Comments/Action

In responding to this report in May 1979, the Department of Labor stated that for the past 6 years the Federal Employees' Compensation Act program has had serious problems in administration and management. However, for more than 3 years the present Administration has been taking significant steps to eliminate these problems. These steps closely parallel the actions recommended in this report. The Department did not comment on the recommendation to Congress. In August 1981, H.R. 4388 was introduced which would allow the employing agency to request an additional physical examination.

Appropriations

Special benefits - Department of Labor, Employment Standards Administration

Appropriations Committee Issues

Claims for benefits are being approved without adequate evidence that the disability or death was work related. The quality of Labor's claims determinations would be improved if employing agencies were given the right to appeal Labor's decisions.

DEPARTMENT OF LABOR

EMPLOYMENT STANDARDS ADMINISTRATION

The Davis-Bacon Act Should Be Repealed
(HRD-79-18, 4-27-79)

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604)
Legislative Authority: Davis-Bacon Act (Wage Rates) (40 U.S.C. 276a). 40 U.S.C. 276(c). Walsh-Healey Act (Government Contracts) (41 U.S.C. 35 et seq.). Miller Act (Public Building Contracts) (40 U.S.C. 270). Wagner-Peyser Act (Federal Employment Service) (29 U.S.C. 49). Fair Labor Standards Act of 1938 (29 U.S.C. 201). Contract Work Hours Standard Act (40 U.S.C. 327). Service Contract Act of 1965 (41 U.S.C. 351). Administrative Procedure Act (5 U.S.C. 55 et seq.). (P.L. 91-129; 83 Stat. 269). P.L. 95-585. OMB Circular A-102.

The Davis-Bacon Act requires that each contract for the construction, alteration, or repair of public buildings in excess of $2,000 to which the United States is a party or shares the financing must state the minimum wages to be paid to various classes of laborers and mechanics. The minimum wages are those determined by the Secretary of Labor to be prevailing for laborers employed on projects of a similar character in the area in which the work is to be performed. The Act was intended to discourage nonlocal contractors from successfully bidding on Government projects by hiring cheap labor from outside the project area, thus disrupting the prevailing local wage structure. In 1977 about $172.5 billion was spent on new public and private construction projects, but only $37.8 billion was for direct Federal or Federally assisted construction spent by State and local agencies and involved about 22 percent of the Nation's 3.8 million construction workers. The remaining $134.7 billion was for privately financed projects without the prevailing wage protection of the Davis-Bacon Act.

Findings/Conclusions: The significant changes in the Nation's economic conditions and the economic character of the construction industry since 1931, plus the passage of other wage laws, make the Davis-Bacon Act unnecessary. After nearly 50 years of administering the Davis-Bacon Act, the Department of Labor (DOL) has not developed an effective system to plan, control, or manage the data collection, compilation, and wage determination functions. A review of the wage determination activities in five regions and headquarters showed continued inadequacies, problems, and obstacles in the attempt by DOL to develop and issue wage rates based on prevailing rates. The review of 30 Federal or Federally assisted projects, costing an estimated $25.9 million, showed that the majority of the rates issued by DOL were higher than the prevailing rates in 12 of the localities and lower in the other 18. In the 18 projects where the DOL rates were lower than those prevailing locally, local contractors were generally awarded the contracts and paid workers the prevailing rates in the community. When the DOL rates were higher than those prevailing locally, it was found that nonlocal contractors worked on most of the projects, indicating that the higher rates may have discouraged local contractors from bidding. In addition, the weekly payroll reporting requirement resulted in unnecessary contractor costs estimated at $189.1 million for 1977.

Recommendations: Congress should repeal the Davis-Bacon Act and rescind the weekly payroll reporting requirement of the Copeland Anti-Kickback Act for the following reasons: (1) significantly increased costs have resulted to the Federal Government; (2) excessive wage determination rates have inflated construction costs and disturbed local wage scales; and (3) the fact that contractors tend to pay prevailing rates when DOL determinations are too low, thus negating the intent of the Act. Congress should also repeal the provisions in the 77 statutes related to the Davis-Bacon Act.

Appropriations

Labor standards - Department of Labor, Employment Standards Administration
Construction - Department of Housing and Urban Development
Military construction and all other appropriations that authorize direct Federal and federally assisted construction activities subject to the Davis-Bacon Act

Appropriations Committee Issues

The Davis-Bacon Act results in unnecessary construction and administrative costs of several hundred million dollars annually on Federal and federally assisted construction projects; therefore, the Davis-Bacon Act should be repealed.

DEPARTMENT OF LABOR

EMPLOYMENT STANDARDS ADMINISTRATION

Multiple Problems With the 1974 Amendments to the Federal Employees' Compensation Act (HRD-79-80, 6-11-79)

Budget Function: Income Security: Federal Employee Retirement and Disability (0602)
Legislative Authority: Federal Employees' Compensation Act (5 U.S.C. 8101).

The number of lost-time injury claims filed by Federal workers increased sharply following legislative changes to the Federal Employees' Compensation Act in 1974, which allowed employees' pay to continue uninterrupted for 45 days after a traumatic injury and gave them free choice of a physician.

Findings/Conclusions: Removal of a previously required waiting period has encouraged employees to file claims for minor and frivolous injuries and for injuries of short duration. A random selection of 410 continuation-of-pay (COP) claims showed that, based on the duration of the injuries and on other available factors, as many as 46 percent of all claims might have been eliminated by a 3-day waiting period. Lacking agency controls, the free-choice-of-physician provision has contributed to COP abuse. The Department of Labor (DOL) has not provided employing agencies with sufficient authority to carry out their responsibility for managing injury claims; and the degree of management varies widely among agencies. A large backlog of claims in DOL district offices has hindered the COP program; while short-cuts taken to try to control the volume of claims has allowed erroneous and unsupported claims to get through the system.

Recommendations: The Secretary of Labor should actively encourage employing agencies to develop programs for working with employees and their physicians to determine the best resolution of a claim and the length and extent of the disability. The Secretary of Labor should require the Assistant Secretary for Employment Standards to instruct the Office of Workers' Compensation Programs to: (1) require district office claims examiners to obtain sufficient evidence for all COP claims before rendering final decisions, and (2) to assist agencies in establishing uniform policies for dealing with COP. In controversial claims, which should be given priority adjudication, agencies must be given the authority to controvert and withhold COP until employees have provided sufficient medical evidence to substantiate their claims; or, when the employee refuses to return to work on a suitable light-duty assignment in accordance with the attending physician's diagnosis. Congress should require that the 3-day waiting period for traumatic injuries be applied before the payment of COP, rather than 45 days later; and provide employing agencies with the authority to require an employee to submit to a second medical examination by a Federal medical officer or a physician designated by the Secretary of Labor when there is a question about the initial diagnosis or the resulting length of disability.

Agency Comments/Action

In August 1981, H.R. 4388 was introduced which would address many of the problems to which the report is directed.

Appropriations

Special benefits - Department of Labor, Employment Standards Administration

Appropriations Committee Issues

The 1974 amendments to the Act have caused a sharp increase in lost-time injury claims and compensation costs to the taxpayer.

DEPARTMENT OF LABOR

EMPLOYMENT STANDARDS ADMINISTRATION

Compensation for Federal Employee Injuries: It's Time To Rethink the Rules (HRD-79-78, 8-22-79)

Budget Function: Income Security: Federal Employee Retirement and Disability (0602).
Legislative Authority: Federal Employees' Compensation Act.

Over the years, Department of Labor decisions have provided an expansive interpretation of what constitutes a compensable injury under the Federal Employees' Compensation Act. When an employee of the Federal Government is injured or killed on the job, the worker or survivors are entitled to benefits. The criteria for determining compensable injuries are not always clear. Uncertainties are developing over how far the Government's liability should extend.

Findings/Conclusions: Increased costs are caused by increased employee salaries, increasing costs of medical care, and inflation. Another basic cause is the expanding concept of a compensable injury. Broad definitions, inadequate guidelines on the work relatedness of diseases, and uncertainty about the causes of many diseases have expanded program coverage.

Recommendations: To aid the determinations of causal relationships, the Secretary of Labor should establish guidelines that have at least minimal factual and medical standards for developing and evaluating evidence, and for deciding whether an injury is compensable; determine whether specific guidelines can be established for cases of aggravation, or whether an alternative system for occupational diseases might be possible; and codify specific instructions on approved policies, procedures, and practices for determining causal relationships. To better understand the occupational disease problem and its effect, the Secretary should evaluate the Federal workers' compensation system for the number of claims, types of diseases, related cost, and other pertinent information; and for the potential effects of the occupational health problem on the system. Congress should review the Department of Labor's determinations of what constitutes a compensable injury, provide any needed guidance on the Government's liability, and review guidelines for causal relation. To better understand the guidelines' meaning and effect, Congress should enact legislation directing the Secretary of Labor to report the results of the guidelines' application and to document his report by specific references to cases.

Appropriations

Special benefits - Department of Labor, Employment Standards Administration

Appropriations Committee Issues

Broad definitions of compensable injury, inadequate guidelines on the work relatedness of diseases, and uncertainty about the causes of many diseases have expanded program coverage and increased its costs.

DEPARTMENT OF LABOR

EMPLOYMENT STANDARDS ADMINISTRATION

Service Contract Act Should Not Apply to Service Employees of ADP and High-Technology Companies (HRD-80-102, 9-16-80)

Budget Function: Education, Training, Employment and Social Services: Other Labor Services (0505)
Legislative Authority: Service Contract Act of 1965 (41 U.S.C. 351 et seq.). Walsh-Healy Act (Government Contracts) (41 U.S.C. 35 et seq.). Fair Labor Standards Act of 1938 (29 U.S.C. 201). Davis-Bacon Act (Wage Rates). Communications Act of 1934. Classification Act (5 U.S.C. 5102(c)(7)). Truth in Negotiations Act (Military Procurement) (P.L. 87-653). 29 C.F.R. 4.132. 29 C.F.R. 4.141. 29 C.F.R. 541. P.L. 91-379. 5 U.S.C. 1082(7).

The Service Contract Act of 1965 protects workers' wages on Federal contracts when the contracts' principal purpose is to provide services in the United States using service employees. Minimum wages and fringe benefits must be based on rates the Secretary of Labor determines as prevailing for service employees in the locality. The Department of Labor notified the General Services Adminstration (GSA) that the maintenance and repair services specifications of all Federal contracts for the purchase or rental of supplies or equipment were subject to the Act. Soon thereafter, several major automatic data processing (ADP) and other equipment manufacturers announced their refusal to accept any Government contract subject to the Act. Labor later issued an interim, nationwide wage determination covering ADP maintenance and repair services which accepted currently paid wages and fringe benefits as prevailing for such services. Nevertheless, major ADP and other equipment manufacturers continued to reject Government contracts subject to the Act. Labor then developed a proposed average entrance-level wage rate that could be paid to the industry's service technicians subject to the Act. Labor's attorneys raised serious legal and policy questions concerning the use of a nationwide entrance-level wage rate, so Labor shelved the rate and issued wage determinations that, in effect, extend and expand the interim determination while Labor officials continue to study the matter.

Findings/Conclusions: Labor's decison could seriously affect maintenance and repair of the Government's computers, many of which are critical to national defense and security. GAO believes that Labor's position is not supported by the Act's language and legislative history, Labor's regulations, or its administrative manual. The Act was not intended to cover maintenance services related to commercial products acquired by the Government. ADP, high-technology, and other commercial product-support service contracts, where Government sales represent a relatively small portion of a company's total sales, do not have the same characteristics or incentives for contractors to deliberately pay low wages to successfully bid on Government contracts. The industries' argument, that the Act's application to such services is not needed, has merit. Industry compliance would be counterproductive and costly. The administrative burdens and operating costs of each corporation would be increased. Merit pay systems and staff assignment practices would be disrupted. The application of the Act could also have an inflationary impact on the industries' wage rates.

Recommendations: Pending such action by Congress, the Secretary of Labor should temporarily exempt from the Act's coverage certain contracts and contract specifications for ADP and other high-technology commercial product-support services. Congress should amend the Service Contract Act to make it clear that the Act excludes coverage for ADP and other high-technology commercial product-support services, that is, services the Government procures based on established market prices of commercial services sold in substantial quantities to the public.

Agency Comments/Action

In its December 1980 response to this report, Labor strongly disagreed with the report's conclusions and totally rejected the GAO recommendations. In January 1981, Labor issued regulations which would have reinforced its position on the issue. However, in February 1981, responding to the President's request, Labor stayed the effective date of those regulations so it could conduct a regulatory analysis and fully review the rules before they took effect. On August 14, 1981, Labor proposed revised regulations which, if adopted, would reverse previous regulatory positions held and would, among other things, administratively exempt from the Act's coverage contract requirements for the maintenance or repair of ADP and other high technology equipment. This latest action is in accord with the GAO recommendations to the Secretary of Labor. However, GAO believes that a more permanent legislative solution to the problem is still needed.

Appropriations

Salaries and expenses - Department of Labor, Employment Standards Administration

Appropriations Committee Issues

Labor's proposed administrative exemption is a temporary solution that could be withdrawn at any time. If Labor were to reimpose its earlier ruling on ADP and other high-technology companies, maintenance and repair of the Government's computers and other vital equipment could be seriously affected. Congress should amend the Act to permanently exclude ADP and other high-technology commercial product-support services from the Act's coverage.

DEPARTMENT OF LABOR

EMPLOYMENT STANDARDS ADMINISTRATION

Administrative Changes Needed To Reduce Employment of Illegal Aliens (HRD-81-15, 1-30-81)

Budget Function: Education, Training, Employment and Social Services: Other Labor Services (0505)
Legislative Authority: Fair Labor Standards Act of 1938. Farm Labor Contractor Registration Act of 1963. P.L. 95-412.

American citizens are being displaced from the work force by illegal aliens employed in the United States. The Department of Labor lacks the necessary enforcement tools to deter employers from hiring nonagricultural undocumented workers. Employers making a practice of hiring such workers remain virtually free from punishment. The President proposed legislation which would make the hiring of undocumented workers subject to civil and/or criminal penalties, but the legislation was not enacted. The proposed legislation would have: (1) intensified enforcement of both the Fair Labor Standards Act (FLSA) and the Farm Labor Contractor Registration Act; (2) adjusted the immigration status of certain undocumented aliens; (3) increased the resources available to prevent illegal immigration along entry points; and (4) promoted cooperation with nations that are the major sources of undocumented workers. Two hundred and sixty additional Labor employees were authorized to begin investigations and enforce the Farm Labor Contractor Registration Act. By enforcing the minimum wage and overtime requirements, Labor believed that there would be no incentive for hiring undocumented workers. The Labor program had little impact on hiring undocumented workers when their wages were above established minimums. GAO examined 606 Labor investigations and Immigration and Naturalization Service (INS) records.

Findings/Conclusions: GAO found that Labor did not concentrate enough of its investigations on companies where the INS found undocumented workers. It focused on wage complaints received from employees, which would ordinarily be investigated during routine enforcement efforts. Labor's compliance officers were not authorized to question employees covered by the Fair Labor Standards Act about their citizenship status. Because of its high case load, INS may not have been able to act on additional Labor referrals. Employers were permitted to retain back wages owed to undocumented workers who could not be found. Farm labor contractors generally did not prepare required written documentation on workers' citizenship or work permit status. Labor erroneously believed it did not have authority to question farm labor contractor employees' citizenship or work permit status. Labor had a substantial backlog of cases awaiting prosecution for violations of the Farm Labor Contractor Registration Act. Labor took several steps to improve the undocumented worker program; however, additional statutory and administrative changes are needed if the Federal program is to be effective. Both agencies should continue to exchange information necessary to ensure that employers pay workers in accordance with the minimum wage and overtime laws and that undocumented workers are identified and dealt with according to immigration laws.

Recommendations: The Congress should amend the FLSA to require that back wages resulting from violations of the Act found to be due employees--whether undocumented or legally entitled to work in the United States--who cannot be located, be deposited in the U.S. Treasury as miscellaneous receipts. The Secretary of Labor should act more aggressively to reduce the backlog of prosecution cases for violations of the Act. The Secretary of Labor should: (1) enforce the regulations that require farm labor contractors to show evidence that they made a bona fide inquiry into each prospective employee's status as either a U.S. citizen or alien authorized to work in the United States.

Agency Comments/Action

Labor concurred with the GAO recommendation advising it to reduce the backlog of cases involving violations of the Farm Labor Contractor Registration Act. However, Labor disagreed with the recommendation that it should enforce the regulations that require farm labor contractors to show evidence that they made a bona fide inquiry into each prospective employee's status as either a U.S. citizen or alien authorized to work in the United States. Labor cites the fact that there is no requirement in the Act requiring contractors to show evidence of their inquiries as to the status of each prospective employees' citizenship. GAO believes that Labor's acceptance of the contractors' oral assurance meets the Act's requirements.

Appropriations

Salaries and expenses - Department of Labor, Employment Standards Administration

Appropriations Committee Issues

The Committees should develop methods to improve and protect employee's wages.

DEPARTMENT OF LABOR

EMPLOYMENT STANDARDS ADMINISTRATION

Federal Employees' Compensation Act: Benefit Adjustments Needed To Encourage Reemployment and Reduce Costs

(HRD-81-19, 3-9-81)

Budget Function: Income Security: Federal Employee Retirement and Disability (0602)
Legislative Authority: Employees' Compensation Act (Injuries) (5 U.S.C. 8101). H. Rept. 64-678. S. Rept. 93-1081.

The increasing number of long-term disabled beneficiaries under the Federal Employees' Compensation Act, together with increased benefits and changes in economic conditions, have caused program costs to increase sharply. A review was undertaken to determine: (1) whether benefits under the Act are adequate and equitable compensation for wages lost by Federal employees because of their on-the-job injuries, while providing an economic incentive for them to be rehabilitated and return to work; and (2) the kinds of claimants being compensated for long-term disabilities and their chances and incentives for returning to work.

Findings/Conclusions: The high compensation structure under the Act provides little financial incentive for injured employees to return to work as originally intended by Congress. In some instances, benefits are higher than preinjury take-home pay. One cause of the high level of Federal workers' compensation benefits is the rate at which benefits are paid; 66.7 percent of gross salary for beneficiaries without dependents and 75 percent for those with one or more dependents. Since many long-term disabled beneficiaries are close to or beyond the average age when most Federal employees retire and have extremely limited employment possibilities, they are, in effect, retired. The Department of Labor has drafted proposed legislation which would: (1) subject Federal workers' compensation benefits to Federal income tax; (2) eliminate increased benefits for dependents; and (3) provide for the transfer of beneficiaries to the Civil Service retirement program.

Recommendations: Congress should integrate the Federal workers' compensation and Federal retirement programs to provide for the transfer of compensation beneficiaries to the retirement program within 3 years of the time the employee would be eligible to retire. This would help ensure that the Act's objectives are accomplished and better define the roles and responsibilities of these programs. Congress should make Federal workers' compensation benefits subject to Federal income taxes and reconsider at what level Federal workers' compensation benefits should be set (probably near the original 66-2/3 percent level) to lessen inequities among beneficiaries and to reestablish the original congressional intent of providing economic incentives to return to work. At whatever level decided upon, Congress should incorporate a single percentage, as this will eliminate the increased benefits for dependents. The Secretary of Labor should revise Labor's legislative proposals integrating these programs, to provide for the transfer of compensation beneficiaries to the retirement program within 3 years of the time the employee would be eligible to retire, rather than at Labor's presently proposed 65 years of age. The Secretary of Labor should revise the Department's proposals to delete the increase in benefits from 66-2/3 and 75 percent to 80 percent and reconsider at what level Federal workers' compensation benefits should be set, probably near the original 66-2/3 percent level established by the Congress. At whatever level decided upon, Labor should retain a single percentage as now proposed, as this will eliminate the increased benefits for dependents.

Agency Comments/Action

In responding to this report in April 1981, the Department of Labor stated that it did not concur with the GAO recommendations. However, it stated that the Administration's proposals for wage replacement rates for injured workers are consistently lower than their preinjury wages. Thus, the problem of overcompensation discussed in the report has been addressed. Legislative proposals that would adjust compensation rates to provide adequate incentives for injured workers to return to work and convert workers into the retirement system from the Federal Workers' Compensation System at age 65 have not been enacted.

Appropriations

Special benefits - Department of Labor, Employment Standards Administration

Appropriations Committee Issues

Adjustments to workers' compensation rates are needed to provide incentive for injured workers to return to work. Integration of the benefits paid under the Federal Workers' Compensation System with those paid under the Federal Retirement System is needed.

DEPARTMENT OF LABOR

EMPLOYMENT STANDARDS ADMINISTRATION

Changes Needed To Deter Violations of Fair Labor Standards Act (HRD-81-60, 5-28-81)

Budget Function: Education, Training, Employment and Social Services: Other Labor Services (0505)
Legislative Authority: Fair Labor Standards Act of 1938. Administrative Procedure Act. Portal-to-Portal Act of 1947 (29 U.S.C. 255). S. Rept. 93-300.

The Fair Labor Standards Act (FLSA) sets standards for recordkeeping, minimum wage, overtime pay, and other protections for workers in establishments engaged in interstate and foreign commerce. Noncompliance with the Act can severely harm low-wage workers.

Findings/Conclusions: While the Act does protect employee wages when employers voluntarily comply, there are insufficient deterrents to discourage employers from violating the Act. Administrative and statutory limitations can prevent the Department of Labor from fully recovering wages illegally withheld. GAO found extensive recordkeeping violations. However, there are no civil penalties for recordkeeping violations and, while criminal penalties exist, they are not used. There are also no civil money penalties for violating minimum wage and overtime violations. Although criminal and liquidated damage penalties exist for willful violations, they have not been used extensively. Many employers appear to have willfully violated the Act. Labor officials rarely seek criminal sanctions because the Department of Justice is hesitant to prosecute them, and filing criminal suits reduces Labor's ability to recover employee back wages. Regional solicitors have seldom sought liquidated damage penalties against willful violators. As a result, habitual or flagrant violators receive no harsher treatment than do employers who inadvertently violate the Act. The statute of limitations restricts an employer's obligation to repay employees back wages in such a manner that back wages are lost. Several administrative practices followed by Labor also limit the back wages that employees eventually recover.

Recommendations: Congress should amend FLSA to eliminate the section 16(c) liquidated damage provision of the Act and, in its place, give Labor authority to assess civil money penalties large enough to deter minimum wage and overtime violations. The legislation should provide for an administrative system for adjudicating cases when employers appeal Labor's actions. Congress should amend FLSA to authorize Labor to formally assess a violation as well as the amount of illegally withheld back wages due, including interest. Congress should amend section 6 of the Portal-to-Portal Pay Act of 1947 so that the statute of limitations tolls when an FLSA violation is formally assessed by Labor. Congress should amend FLSA to give Labor the authority to assess civil money penalties large enough to deter recordkeeping violations. The legislation should provide for a formal administrative process to adjudicate cases when employers appeal Labor's assessments. The Secretary of Labor should issue instructions requiring compliance officers to compute the third year's back wages in willful violation cases. The Secretary of Labor should reinvestigate firms before settling cases referred to the regional solicitor's offices to assure that employers have come into compliance and to calculate any additional back wages owed to employees. The Secretary of Labor should establish a program to systematically monitor firms found in violation of the Act. All firms considered likely to again violate the Act and a sample of other firms that have violated the Act should be reinvestigated within the 3-year statute of limitations period to assure that employers do not profit from continuing violations and that illegally withheld employee back wages are fully restored. The Secretary of Labor should make more use of FLSA criminal sanctions for willful minimum wage and overtime violations, after consulting with Justice officials to coordinate criminal and civil litigation strategies.

Agency Comments/Action

Congress has not enacted any of the changes GAO recommended. The Department of Labor concurred with the GAO recommendations that: (1) instructions be issued requiring compliance officers to compute the third year's back wages in willful violation cases, and (2) a program be established to systematically monitor firms found in violation of the Act. GAO still believes that Labor should take action on its two other recommendations.

Appropriations

Salaries and expenses - Department of Labor, Employment Standards Administration

Appropriations Committee Issues

The Committees should monitor the improvement and protection of wages and consider the GAO recommendations.

DEPARTMENT OF LABOR

EMPLOYMENT STANDARDS ADMINISTRATION

Office of Workers' Compensation Programs

Injury Compensation Process Delays Prompt Payment of Benefits to Federal Workers (HRD-81-123, 9-25-81)

Budget Function: Income Security: Federal Employee Retirement and Disability (0602)
Legislative Authority: Federal Employees' Compensation Act (5 U.S.C. 8101).

GAO reviewed claims processing under the Federal Employees' Compensation Act to determine where and why delays in the procedure were occurring.

Findings/Conclusions: Of the 564 compensation payments reviewed, GAO found that, under the Department of Labor's criteria, about 98 percent of the payments for wage loss were not timely. The average processing time from the date workers made the claim to the date of payment were 129 days for traumatic injuries and 270 days for occupational diseases. Workers, Federal agencies, physicians, and Labor must coordinate the processing of claims, and the failure of any party to act promptly at a given point can delay the entire process. GAO found that all parties contribute substantially to delays in claims processing. Injured workers are not filing timely and well documented injury notices and compensation claims. Federal agencies are not complete or timely in processing injury notices and claims, and physicians' reports are often untimely and incomplete. Labor's actions to resolve questions about notices of injury and to develop and pay claims are not timely. Labor has taken or plans to take actions which will help workers, Federal agencies, and physicians better understand their claims processing responsibilities. Finally, GAO found that a large claims workload and staff problems contributed to Labor's processing problems.

Recommendations: The Secretary of Labor should: (1) reemphasize to Federal agencies the need to provide workers with pamphlets and to post and maintain injury posters in the workplace; (2) encourage Federal agencies to use their local newspapers for periodic reminders to workers on benefits for work-related injuries; (3) develop a flow chart type checklist outlining workers' rights, responsibilities, and procedures for claiming benefits for work-related injuries; (4) provide Federal agencies with periodic reports on the time it takes them to process claims before the claims are submitted to Labor for adjudication; (5) ascertain whether the electronic transfer of compensation data between Labor district offices and other Federal agencies would improve claims processing and, if so, implement the use of such electronic data transfer techniques where appropriate; and (6) expedite the development of a national program to improve cooperative efforts with the medical community. The Director of the Office of Management and Budget should: (1) determine the feasibility of placing in Federal agencies specific processing and monitoring responsibilities; and (2) if these actions are determined to be feasible, submit legislation to Congress to amend the Federal Employees' Compensation Act.

Agency Comments/Action

In responding to this report, Labor concurred with the findings and agreed to take the actions recommended. The Office of Management and Budget commented that a study of the feasibility of placing in Federal agencies specific processing and monitoring responsibilities under the injury compensation program would not be meaningful at this time because of Labor's actions to improve claims processing and the proposed legislation to correct problems in the structure of the law.

Appropriations

Special benefits - Department of Labor, Employment Standards Administration

Appropriations Committee Issues

Claims for benefits take a long time to process. Thus the feasibility of placing specific processing and monitoring responsibilities in the employing agencies needs to be studied.

DEPARTMENT OF LABOR

LABOR MANAGEMENT SERVICES ADMINISTRATION

Funding of State and Local Government Pension Plans: A National Problem (HRD-79-66, 8-30-79)

Budget Function: Income Security: General Retirement and Disability Insurance (0601).
Legislative Authority: Employee Retirement Income Security Act of 1974 (29 U.S.C. 1001). National League of Cities v. Usery, 426 U.S. 833 (1976).

Public pensions are becoming a large financial burden on State and local governments, and that burden will increase in the future. Many jurisdictions do not systematically fund retirement benefits accruing to their employees.

Findings/Conclusions: Many State and local government pension plans are not funded on a sound actuarial basis because they are not setting aside sufficient funds to provide for estimated future benefits. Billions of dollars in unfunded liabilities have accumulated, and unless remedial steps are taken, these liabilities will increase. For the 72 State and local government pension plans reviewed, 53 did not receive large enough contributions to satisfy the Employee Retirement Income Security Act of 1974 funding standards. To meet the standard, many of the plans would have to increase annual contributions by more than 100 percent. Pension plan funding to the Act's standard would have a serious initial impact on some jurisdictions. But doing nothing will eventually have an even more serious impact. Pension reform at the State and local levels is moving slowly, and the prospects for significant improvement in the foreseeable future are not bright. It is clear that, to protect the pension benefits earned by public employees and to avert fiscal disaster, State and local governments should fund the normal or current cost of their pension plans on an annual basis and amortize the plans' unfunded liabilities. Although sponsoring governments are responsible for sound funding of State and local government plans, the Federal Government has a substantial interest in these pension plans. Many jurisdictions have increasingly relied on Federal grant funds and revenue sharing to help meet pension plan costs. These plans directly affect the continued well-being and security of millions of State and local government employees and their dependents. It might be in the national interest for the Congress to assure, through legislation, the long-term financial stability of these pension plans through sound funding standards. But the Federal Government's authority to regulate State and local government plans has not been resolved.

Recommendations: Congress should closely monitor actions taken by the State and local governments to improve the funding of their pension plans to determine whether and at what point congressional action may be necessary in the national interest to prevent fiscal disaster and to protect the rights of employees and their dependents.

Agency Comments/Action

The consensus among State and local governments, Federal agencies, and other interested parties who commented on the report was that adequately funding public pension plans is a serious problem; however, there is no clear agreement on what the solution should be. Many believe that any funding standard for public plans should be less demanding than the standard imposed on private plans. There was general opposition to Federal involvement in establishing a funding standard for State and local government pension plans. Most officials argue that the Federal Government has not dealt adequately with its own pension funding problems, as evidenced by the poorly funded Social Security system and the pension plans for Federal personnel.

Appropriations

Salaries and expenses - Department of Labor, Labor Management Services Administration

Appropriations Committee Issues

The Committees should closely monitor actions taken by State and local governments to improve funding of their pension plans and determine if any congressional action is necessary to protect the rights of employees and their dependents.

DEPARTMENT OF LABOR

OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION

Improvements Needed in Assessing Penalties and Controlling Penalty Collections Resulting From OSHA Inspections

(HRD-81-150, 9-15-81)

Budget Function: Health: Health Planning and Construction (0554)
Legislative Authority: Occupational Safety and Health Act of 1970.

The Occupational Safety and Health Act authorizes the Secretary of Labor to establish national occupational safety and health standards and to enforce compliance through workplace inspections and penalties for violations. GAO reviewed the adequacy of the accounting controls and procedures used by the Occupational Safety and Health Administration (OSHA) and the Office of the Solicitor for processing penalty cases and collecting and safeguarding penalty payments.

Findings/Conclusions: GAO found that the OSHA management information system was not providing accurate data showing penalty balances due because data were not entered into the system to record regional solicitor adjustments to penalties proposed by OSHA area offices and contested by employers. Penalty receipts were often transmitted between offices without internal controls or acknowledgment of receipts. Thus, penalty receipts could become lost in the mail or otherwise misplaced, and such a loss might not be detected. Recent system changes, if effectively implemented, should provide accurate data on penalties due from employers. GAO believes that internal controls over remittance of penalties could best be achieved by requiring the sending offices to prepare a list identifying each check and money order and the total amount being remitted and by requiring receiving officers to acknowledge receipt of the remittances by signing and returning one copy of the list to the sending officers. Penalty payments have not been promptly deposited, thereby delaying access to the funds by the Treasury and increasing the potential for loss or misplacement of funds. GAO also found that most employers who contest citations receive substantial reductions, despite the fact that they are supposed to pay the full penalty. This practice suggests that the proposed penalties may be too high, settlements may be too lenient, or both. Further, GAO found that the regional solicitors' offices followed inconsistent practices of initiating court suits to recover unpaid penalties in collection cases.

Recommendations: The Secretary of Labor should require OSHA and the Office of the Solicitor to develop and implement a recordkeeping system to provide improved management controls over penalty receipts in transit between Labor offices. At a minimum, such a system should require receiving offices to acknowledge receipt of payments. The Secretary of Labor should require OSHA and the Office of the Solicitor to emphasize to their field offices the importance of forwarding penalty receipts promptly. Receipts should be forwarded on the day of collection, or at least by the following business day. The Secretary should also require OSHA headquarters to make daily collections and deposits of penalty receipts from the post office box. The Secretary of Labor should require the Office of the Solicitor to establish a uniform minimum penalty for regional solicitors to use in determining whether to pursue court action to recover unpaid penalties in collection cases.

Agency Comments/Action

The Department of Labor's comments on the report have not been received as of October 30, 1981.

Appropriations

Salaries and expenses - Department of Labor, Occupational Safety and Health Administration

Appropriations Committee Issues

The Committees should monitor Labor's actions to improve the assessment and control of penalties resulting from OSHA inspections.

DEPARTMENT OF LABOR

OFFICE OF INSPECTOR GENERAL

More--And Better--Audits Needed of CETA Grant Recipients (FGMSD-81-1, 11-6-80)

Budget Function: Financial Management and Information Systems: Internal Audit (1103)
Legislative Authority: Comprehensive Employment and Training Act.

The Department of Labor relies on the audit as a basic tool for preventing unauthorized expenditures and seeing that Comprehensive Employment and Training Act (CETA) programs are carried out as Congress intended.

Findings/Conclusions: Labor has fallen far short of its goal of auditing all organizations receiving CETA funds every 2 years; some sponsors have not yet been audited even once. Fewer than half the required audits of CETA funds have been performed, and the quality of completed audits is uneven. The audit function could accomplish more if it had additional resources. Labor did not have adequate information on the extent to which subsponsor's funds are being audited. For audits of prime sponsors, Labor has not required an analysis of the grantee's controls over funds subgranted or contracted. Although Labor has subsponsor audit requirements, such audits are performed separately and are the grantee's responsibility. If controls are weak at the subsponsor level, the fragmented audit process makes it difficult for Labor to identify and correct such weaknesses. Labor's difficulty in controlling the audit process stems largely from a shortage of staff in the Inspector General's Office and a historic lack of commitment to the audit process on the part of Labor. Audits performed did not always conform to required audit standards. The audit function has nevertheless benefited the CETA program and the Department of Labor. Auditors have recommended that grantees establish better internal controls and better management of cash transactions.

Recommendations: The cognizant congressional committees should eliminate the audit backlog when further CETA authorization and funding are considered. The Secretary of Labor should increase the surveillance over prime sponsor audits to make sure that the effectiveness of controls over sub-granted or contracted funds is tested. The Secretary of Labor should institute more comprehensive quality assurance procedures to ensure that all CETA audits meet required audit standards. The quality testing procedures should be applied to a scientifically selected sample of audits. Further, the tests should be a balanced mix of contract reviews, desk reviews, workpaper reviews, and onsite reviews. The results of such testing would provide a standard against which the quality of all audits being done by Department of Labor auditors, independent accountants, and State and local auditors could be measured. The Secretary of Labor should determine the amount of resources necessary to perform needed audits as soon as it becomes clear what the Department will be responsible for under the single audit concept. Such resources should include both the Labor audit staff and the funds necessary to engage independent accountants and State or local government auditors.

Agency Comments/Action

The Department of Labor concurred with all three recommendations. No evaluation has been made of Labor's actions to implement the recommendations.

Appropriations

Comprehensive Education and Training Act - Department of Labor, Office of Inspector General

Appropriations Committee Issues

When further CETA appropriations are considered, cognizant congressional committees should ask Labor to provide information on the status of efforts to eliminate the audit backlog.

State Department Should Improve Foreign National Pay Setting (FPCD-78-81, 1-8-79)

Budget Function: International Affairs: Conduct of Foreign Affairs (0152)
Legislative Authority: Foreign Service Act of 1946 (P.L. 86-723). P.L. 93-273. P.L. 77-411. B-179700 (1974). 56 Stat. 13.

Federal agencies overseas employ about 178,000 foreign citizens at a cost of about $1.5 billion annually. Legislation provides that compensation for foreign national employees will be based on locally prevailing wage rates that are consistent with the public interest. In adopting foreign national labor provisions, Congress expected U.S. agencies in a particular locale to establish uniform wage rates and employment practices. GAO visited Germany, Italy, Japan, Korea, and the Philippines to determine if employees were paid local rates and to what extent U.S. Government agencies coordinate compensation plans.

Findings/Conclusions: The Departments of State and Defense vary in the compensation they establish for their foreign employees, and in general, the Department of State pays more than the Department of Defense. State Department officials contended the differences were justified because of different duties and responsibilities. GAO found little to support that job demands were consistently or appreciably greater in one agency or the other. State Department wage survey techniques generally provided a valid base for applying total comparability principles to periodically adjust wages. Nonetheless, wage setting would be improved if: (1) embassy salary schedules reflected average private sector rates, (2) the true costs of retirement and separation pay benefits were included in comparability adjustments, (3) surveyed jobs were representative of the embassy's work force, and (4) State Department wage survey guidance was followed more closely. Despite State Department urgings to adopt local retirement plans, most of the Department's overseas posts still enroll foreign national employees in the U.S. civil service retirement system. GAO believes the disadvantages of enrolling foreign employees in civil service far outweigh the advantages. Some of the disadvantages are: (1) annuities stated in dollars but paid in local currency and thus subject to windfall gains or losses from currency fluctuations, (2) annuities adjusted according to domestic cost-of-living indexes, and (3) minimum annuities clearly excessive in low-wage countries such as the Philippines.

Recommendations: The Secretary of State should improve coordination of foreign national pay systems and wage schedules with the Department of Defense and other overseas agencies to the extent that: (1) joint wage surveys and uniform pay schedules are adopted in countries where both agencies directly employ foreign nationals, and (2) Defense wage rates are included in State Department wage surveys where Defense operates under indirect hire arrangements. The Secretary should also monitor overseas wage setting more closely to insure that missions: (1) have salary schedules that reflect private sector average pay or average pay ranges, (2) include the cost of severance in pay adjustments, (3) survey private sector jobs that represent the mission's work force as closely as possible, and (4) correct other wage setting errors such as those which occurred in Korea and Italy. Finally, the Secretary of State should replace civil service retirement with prevailing local plans.

Agency Comments/Action

The Department of State disagreed or partially disagreed with certain of the recommendations and agreed to implement others. The Department's authorizing bills for fiscal years 1980 and 1981 express the sense of Congress that the Secretary of State should implement the GAO recommendations, with slight modification, to the extent possible.

Appropriations

Salaries and expenses - Department of State

Appropriations Committee Issues

Cost of foreign national employees will continue to be a problem for the forseeable future.

DEPARTMENT OF STATE

Improving the Management and Coordination of Reviews, Inspections, and Evaluations in the U.N. System (ID-81-11, 11-19-80)

Budget Function: International Affairs: Foreign Economic and Financial Assistance (0151)
Legislative Authority: Foreign Assistance Act of 1973 (P.L. 93-189; 22 U.S.C. 2221).

Ways in which management and coordination of reviews, inspections, and evaluations in the United Nations (U.N.) system can be improved are discussed. The primary methods of improvement must be through member governments and through increased support of the Joint Inspection Unit by the Department of State.

Findings/Conclusions: A number of actions were taken to improve the external and internal auditing and evaluations of U.N. activities. The creation of the Joint Inspection Unit (JIU) was one such improvement. The aim of JIU was to improve management and coordination in the U.N. system. The JIU had broad investigative powers covering all U.N. operations but had no specific evaluation responsibilities. Congress amended the Foreign Assistance Act in 1973 at the suggestion of GAO. Instead of creating a new U.N. investigative body, the Department of State decided to urge the strengthening of JIU. With the change in the Foreign Assistance Act, JIU increased the number of inspectors and expanded its scope, but more can be done. GAO noted that the General Assembly is not always aware of the qualifications of inspector candidates. There is often a duplication of reviews, and each group is not always aware of what others are working on.

Recommendations: The Secretary of State should specifically task a senior officer to ensure that adequate support and attention is provided to the work and reports of JIU. The Secretary of State should work through his representatives in the U.N. system and other member-government representatives to seek to have JIU intensify its reviews of the evaluation reports. The Secretary of State should instruct the U.S. Mission and U.S. delegates to the U.N. to work with other member-country delegates to stress the need to annually publish the status of the JIU recommendations. The Secretary of State should work through his representatives in the U.N. system and other member-government representatives to urge U.N. organization executive heads to increase their commitments to evaluations. The Secretary of State should instruct the U.S. Mission and U.S. delegates to the U.N. to work with other member-country delegates to stress the need to have U.N. organizations carefully consider requests to JIU, taking into account the needs of the U.N. system, and whether objectives can be accomplished through other means. The Secretary of State should instruct his representatives to the United Nations and the specialized agencies to work with other member-governments to formulate a request that JIU adopt specific review and reporting guidelines that will be made available to member-governments. The Secretary of State should work through his representatives in the U.N. system and other member-government representatives to urge U.N. system organizations to complete their internal evaluation systems as quickly as possible, and provide evaluation results when practicable to all member-governments. The Secretary of State should instruct the U.S. Mission and U.S. delegates to the U.N. to work with other member-country delegates to stress the need to encourage JIU to exchange and discuss work programs with other review groups, such as internal and external audit groups and other U.N. organizations involved in inspections and evaluations. In this regard, GAO believes that the State Department, through its representatives to the United Nations, should continue to support the proposal to establish an Auditor General position and an expanded Board of Auditors. The Secretary of State should instruct the U.S. mission and U.S. delegates to the U.N. to work with other member-country delegates to stress the need to consider and appoint highly qualified candidates as JIU inspectors who have experience which parallels the inspection and evaluation work performed by JIU, and that all General Assembly members have a chance to review and discuss the qualifications of the inspectors before deciding on the appointments.

Agency Comments/Action

The Department of State was in agreement with some of the GAO recommendations, but it disagreed with others.

Appropriations

Contributions to international organizations - Department of State

Appropriations Committee Issues

A 1973 amendment to the Foreign Assistance Act, Section 301(e)(3), requires that the President advise Congress on actions taken on recommendations made by the U.N. JIU. The Department of State, in commenting on the GAO report, said that an annual status of all JIU recommendations would involve a very substantial expenditure for an endeavor of doubtful value. Thus, this legal requirement is not being met.

DEPARTMENT OF STATE

Much More Can Be Done by the State Department To Improve Overseas Real Estate Management (ID-81-15, 2-9-81)

Budget Function: International Affairs: Conduct of Foreign Affairs (0152)
Legislative Authority: Foreign Service Buildings Act, 1926 (22 U.S.C. 291 et seq.).

The Department of State's Office of Foreign Buildings Operations (FBO) is responsible for acquiring, constructing, selling, and maintaining properties located around the world. FBO has had numerous problems in managing its overseas real estate for many years. GAO reviewed these problems in a previous report, and some improvements have been made including: general criteria and guidelines have been issued concerning employee housing; a preventive maintenance and repair handbook has been prepared and issued to the posts; a pilot preventive maintenance program has been started; and staffing levels at the Office of Foreign Buildings Operations headquarters have increased. However, other problems remain.

Findings/Conclusions: GAO found that post-level property managers lack the experience and technical expertise to fulfill their responsibilities effectively. At present the Office has no control over the careers, assignment, or training of either the General Services officers or the area officers. The full costs of operating and maintaining individual buildings are still not known; as a result, it is nearly impossible to determine whether and when a building should be replaced. Real property inventory records continue to be inaccurate and incomplete, and construction projects continue to experience unnecessary delays and consequent cost overruns. Further, excess overseas property is not promptly identified and, therefore, is unnecessarily retained. Finally, State's current housing policies and standards overseas are inconsistent with those agreed to at the Washington level.

Recommendations: Congress should consider increasing FBO accountability by requesting detailed explanations of the financial impact of project deferrals during budget justifications. Congress should consider exercising greater control over FBO operations by limiting the availability of sales income and the expenditure of carryover funds in any fiscal year to the amounts budgeted and approved by the committees during annual budget reviews. The Secretary of State should limit the expansion of the computerized preventive maintenance test program until it is proven effective. The Secretary of State should require that FBO and the posts develop an accurate, complete, and timely inventory records system. The Secretary of State should reduce fragmentation by having all real estate matters at the posts assigned to the General Services Officer. The Secretary of State should direct that FBO identify the current and projected budget impact of project delays and cost increases when requesting funding authority from Congress. The Secretary of State should direct FBO to establish consistent, world-wide criteria for timely identification and disposal of excess or uneconomical properties. Current inventory listings of such properties should be made available to the Congress during budget hearings. The Secretary of State should reaffirm the Department's commitment to the housing standards and instruct the Inspector General to periodically review post compliance with the housing policy. The Secretary of State should change the Department's budget so that all real estate costs will be consolidated within the FBO appropriation. FBO, as the single property manager, should be given complete budgeting and control authority for these funds. The Secretary of State should increase the effectiveness of real property managers through more formalized training, rotation in and out of area officer positions, and increased input from the Director of FBO on reassignments and performance ratings. The Secretary of State should accelerate the development of an integrated property management information system that will provide accurate data on costs as well as compare and contrast various data. Such comparisons would enable FBO to determine cost trends and identify uneconomical buildings. The Secretary of State should ask Congress for full funding to cover the project site, design, and construction. Full funding would compress the time frames needed to complete the project and allow for a more realistic estimate. The Secretary of State should instruct FBO management officials to document, as part of the project file, how and why any particular architect is selected to design State Department Buildings. The Secretary of State should direct FBO and the posts to maintain specific cost records that will identify all costs related to the operation and maintenance of individual properties abroad.

Agency Comments/Action

The Department of State expressed agreement in principle with the objectives of many of the nine recommendations in the report, but it promised no new actions.

Appropriations

Acquisition, development, and construction - Department of State, Office of Foreign Buildings Operations

DEPARTMENT OF STATE

The 1978 Diplomatic Relations Act's Liability Insurance Provision--A Requirement Needing Added Attention (ID-81-31, 4-28-81)

Budget Function: International Affairs: Conduct of Foreign Affairs (0152)
Legislative Authority: Diplomatic Relations Act (P.L. 95-393).

The Diplomatic Relations Act requires all foreign missions, members of missions and their families, and officials of the United Nations entitled to diplomatic immunity to carry liability insurance against risks arising from their operation of motor vehicles, vessels, or aircraft in the United States. It also creates a substantial right of an injured party to proceed directly against the insurance company where the insured member enjoys immunity from suit. GAO reviewed the Office of Protocol's administration of this requirement.

Findings/Conclusions: A random sample of the foreign diplomatic representatives residing in the Washington, D.C., metropolitan area showed that there has been substantial compliance with the requirement by those owning motor vehicles. However, the locally established minimum limits of liability coverage which the Department of State requires the foreign diplomatic representatives to have are inadequate and should be higher. In the District of Columbia, there have been 69 traffic accidents involving foreign diplomatic representatives or their families, and these individuals were at fault in 39 of the accidents. The required liability insurance must provide no less than the minimum limits of liability specified by law in the jurisdiction where the car is garaged, and also suggests that every person subject to the Act should have and maintain adequate insurance to afford reasonable compensation to accident victims. Although it recommends higher limits, the State Department cannot ensure that they are being obtained. GAO believes the higher limits should be required. The minimum limits established and required do not adequately afford reasonable compensation to victims of accidents caused by foreign diplomats. The need exists to impose separate limits for the foreign missions that are higher than those imposed by State and local jurisdictions because of the inability of accident victims to sue and successfully collect damages from those enjoying diplomatic immunity.

Recommendations: The Secretary of State should establish, for those who enjoy diplomatic immunity, minimum limits of liability that are in excess of the minimum limits prescribed by State and local governments that will adequately afford reasonable compensation to accident victims.

Agency Comments/Action

In its section 236 response to the report recommendation, the Department stated that: (1) it agrees that the minimum coverage required by most local jurisdictions is unrealistic; and (2) it recommends higher minimum limits in its regulations, but it does not believe it appropriate at this time to require higher minimum limits than those prescribed by local authorities.

Appropriations

Administration and staff activities - Department of State, Office of Protocol

DEPARTMENT OF STATE

Fundamental Changes Needed To Achieve Shared Support Services for Federal Agencies Overseas (ID-81-37, 4-29-81)

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (1101)
Legislative Authority: 22 U.S.C. 2695. 31 U.S.C. 66a.

The State Department offers support services, such as security, housing, and motor pools to most Federal agencies overseas on a reimbursable basis. At some posts, service organizations are jointly staffed by the State Department and other agencies. In 1976, the State Department established the Foreign Affairs Administrative Support (FAAS) system which provides for charging other agencies only for the incremental support costs incurred because of their presence overseas.

Findings/Conclusions: While the State Department provided some services on a reimbursable basis at the posts GAO visited, many agencies had developed extensive duplicate capabilities. Requiring all agencies to combine administrative capabilities could reduce duplication. However, no requirement exists for agencies to consolidate and, as a result, sharing remains largely voluntary and varies from post to post. The lack of independence of the administrative support function is perceived as a problem by the agencies because the State Department both provides and uses these services. The most commonly duplicated services are motor pools and personnel management systems. At posts located within reasonable proximity of Department of Defense (DOD) activities, GAO found potential for some consolidation of similar administrative functions. The State Department's approach to establishing charges to agencies for administrative support is unacceptable, because it bases charges on estimated rather than actual costs. The problems identified should be considered in the Department's current redesign of its accounting system. The FAAS is complicated and not adequately documented, allocation principles are applied inconsistently from post to post, and the quality of administrative support is generally adequate.

Recommendations: Congress should establish a policy of mandatory consolidation of most administrative support for those agencies under the jurisdiction of an ambassador abroad. Congress should task the Secretaries of State and DOD to identify those posts which are located within reasonable proximity of DOD activities and to determine which administrative support activities should be shared. The Secretary of State should submit the accounting system, which includes the FAAS system, to GAO for formal approval as required. The Secretary of State should include the development of documentation describing the FAAS system in the redesign of the accounting system. The Secretary of State should ensure that charges for administrative support are established on actual rather than estimated costs as the redesign of the State Department's accounting system continues. The Secretary of State should establish department and post level training programs to achieve a consistent, accurate, and adequate understanding of the overseas administrative support program and the FAAS system by State Department and other agency personnel. The Secretary of State should develop and implement a program to enhance the selection, development, and placement of personnel within the administrative function. Such a program should include as a minimum the identification of (1) administration as an area of expertise which requires special skills; (2) appropriate selection criteria which reflect a need for the identified skills; (3) internal and external training programs which will aid in developing and maintaining the ability to satisfactorily provide administrative services; (4) critical experience and training requirements for placement in the various administrative positions at overseas posts.

Agency Comments/Action

In commenting on the report, the Department stated that, among other things, it is convening a task force to examine the objectives and methods used in the selection, training, placement and career development of administrative offices. Hearings on the report were held by Chairman Jack Brooks, Legislation and National Security Subcommittee, House Committee on Government Operations. Testimony was provided by GAO, State, AID, the International Communication Agency, and the Defense Intelligence Agency.

Appropriations

Administrative and staff activities - Department of State, Under Secretary for Management

DEPARTMENT OF STATE

Management of the Department of State Office of Passport Services Needs To Be Improved (ID-81-39, 8-6-81)

Budget Function: International Affairs: Foreign Information and Exchange Activities (0153)

Legislative Authority: Independent Offices Appropriation Act, 1952 (31 U.S.C. 483a). 22 C.F.R. 51.1. 22 U.S.C. 211a. 18 U.S.C. 3291. 8 U.S.C. 1104. 44 U.S.C. 3312.

GAO reviewed the Department of State's Office of Passport Services, the Travel Document Issuance System (TDIS), the Passport Files Miniaturization (PFM) system, passport records storage, passport fraud programs, special handling fees, and the Passport Lookout System. The objective of the review was to evaluate the effectiveness of these functions within the Department.

Findings/Conclusions: TDIS, the Department's new computerized system for issuing passports, is plagued by deficient planning. TDIS will cost between $12 to $15 million over the next 4 years, and management needs to take on more comprehensive planning. The PFM system is anothor problem area that has presented difficulties to the passport management staff. Because of technical complications within the system, operational performance troubles, and inadequate management attention to the new file system, a severe backlog of work has developed, clogging the system with over 2 million passport applications. Still another related records management problem is the storage of original passport records. Costing over $200,00 each year, the Department has over 140 million passport documents in storage. One of the most severe problems facing the Department is that of passport fraud. Although the Department discovered 1,002 cases of passport fraud in fiscal year 1980, it has been presumed that this is just the tip of the iceberg. GAO identified two operational areas of concern that are performed as daily passport functions: (1) the inequitable provision for the special handling of passports that require fast delivery because of urgent departure dates or because of requests by passport applicants; and (2) the operation of the Passport Lookout System, a system that is used to screen passport applications for administrative, law enforcement, and national security purposes. GAO believes that the system is basically sound but is experiencing a number of difficulties.

Recommendations: The Secretary of State should restructure the system to use one standard design at a reduced number of passport processing centers. The Secretary of State should use the methodology provided by the 1977 Arthur D. Little, Inc., study on passport markets to continually review the geographic sources of potential market growth so that workloads can be maintained at appropriate levels. The Secretary of State should develop and implement a plan, when appropriate, to issue the new TDIS type passports for the Honolulu agency, the insular offices, and the overseas foreign service posts. The Secretary of State should direct that a technical team be formed to review the passport files miniaturization system to identify and correct design, operational, and technical problems that are impairing the system's efficiency. The Secretary of State should correct the passport files miniaturization system's programming and data entry. The Secretary of State should reestablish and clarify specific responsibility for passport records matters, including oversight of the passport files miniaturization system by the Foreign Affairs Information Center. The Secretary of State should direct that periodic inspections of the passport files miniaturization system be performed and inspection logs be maintained by Foreign Affairs Information Center. The Secretary of State should initiate a project to separate permanent records from disposable passport records. The Secretary of State should adjust the retention schedule from 100 years to 15 years for disposable passport records originating from 1925 to the first half of 1978. The Secretary of State should adjust the retention schedule for disposable passport records that have been microfilmed from 15 years to the validity period of a passport. The Secretary of State should establish a formal agreement with the various components of the Department of Justice to establish firm jurisdictional responsibility for the investigation of passport fraud. The Secretary of State should examine the possibility of entering into an agreement with the Postmaster General to investigate passport fraud cases using U.S. mails. The Secretary of State should begin passport fraud seminars for passport agents at insular offices. The Secretary of State should conduct more frequent or extended fraud seminars and related training for outside acceptance facilities. The Secretary of State should provide more timely and complete feedback to adjudicators on individual cases of suspected fraud. The Secretary of State should send fraud bulletins to foreign service posts and insular offices regularly. The Secretary of State should improve fraud statistical reporting from foreign service posts and passport agencies. The Secretary of State should implement recommendations in the Department's passport fraud report of June 3, 1980. The Secretary of State should amend passport application instructions to require special handling fees when special mailing services are either requested or required by the applicant. The Secretary of State should initiate a task force composed of Department personnel associated with computer, communication, and passport functions to comprehensively evaluate the adequacy of equipment, communication lines, and code identifiers of the Lookout computer system. The Secretary of State should purge unnecessary names from the Lookout data base by effective annual reviews of the Lookout system. The Secretary of State should assign specific responsibility for the administration of both the computerized Lookout and Circular Post Lookout File to one office. The Secretary of State should send the three insular offices which do not have the equipment to screen applications through the computerized Lookout copies and updates of the Circular Post Lookout File. The Secretary of State should direct foreign service posts and insular offices to consistently and properly use the computerized Lookout or Circular Post Lookout Files. The Secretary of State should establish an improved system of assuring that wanted Federal felons, individuals with applicable court ordered restrictions, and others are denied passports as required by law.

Agency Comments/Action

The Department of State generally agreed with the recommendations contained in the report and has initiated corrective actions. The Department agrees that processing centers should be kept to a minimum. One agency is scheduled to close and other agencies are being considered for reduction to acceptance facilities. The Department favors creation of a technical team to review and resolve operational and technical problems of the Passport File Miniaturization System. The Department agreed that retaining records for 100 years is excessive and is considering actions that can be taken to resolve the problem. Twelve new permanent positions have been allocated by the Department exclusively for anti-fraud efforts. The Department agrees that fees should be charged for special mailing of passport applications, but only when the need for special mailing services is noted and requested by the applicant at the time of application. The procedure for annual review of the Lookout System will be strengthened. The Department will review all computer-assisted systems for efficiency and to predict future needs.

Appropriations

Administration of foreign affairs - Department of State, Bureau of Consular Affairs

Appropriations Committee Issues

The Committees should assure that the Department of State has implemented the recommendations in the report.

DEPARTMENT OF STATE

Identifying Marginal Activities Could Help Control Growing U.N. Costs (ID-81-61, 9-30-81)

Budget Function: International Affairs: Foreign Economic and Financial Assistance (0151)

GAO reported on the efforts of the Secretary General of the United Nations (U.N.) to reduce U.N. costs by identifying marginal and ineffective activities. The review was undertaken because Congress is concerned about the growing U.N. budget and the corresponding U.S. contribution. Member countries believe that the real growth of the U.N. budget can be lowered by shifting resources from obsolete, marginal, and ineffective activities to new activities. Every year, the Secretary General identifies more marginal activities to be terminated; however, he still has not identified enough to have much effect on the budget.

Findings/Conclusions: The Secretary General has asked program managers to determine if any of their activities are of marginal value. GAO believes that not many activities have been identified as marginal because program managers are unable to objectively evaluate their own activities. In a recent study, the U.N. Joint Inspection Unit also concluded that a main reason for the unsatisfactory response is the reliance on program managers to identify marginal activities. Unit inspectors believe that, to make the identification process meaningful, more decisive efforts are needed. It suggested establishing a monitoring unit in the Secretariat that would have the authority to terminate activities. The unit also suggested establishing groups outside the Secretariat to analyze U.N. operations. GAO agreed that there may be a need to adopt alternative identification approaches and believes that the unit's suggestions provide a basis for pursuing such approaches. GAO believes that existing U.N. programming, financial, audit, and evaluation groups can satisfy these needs without additional costs.

Recommendations: The Secretary of State should instruct the U.S. Mission and U.S. delegates to the United Nations to call for the Secretary General and appropriate intergovernmental bodies to evaluate the Joint Inspection Unit's recommendations. The Secretary of State should instruct the U.S. Mission to suggest to the United Nations that the Office of Program Planning and Coordination, the Office of Financial Services, the U.N. Board of Auditors, and the Joint Inspection Unit be used to identify possible marginal activities. The Secretary of State should continue to review in detail the proposed U.N. budget and the Secretary General's reports on marginal activities. In addition, the information developed by program managers as a result of these exercises should be shared with U.S. representatives on the Fifth Committee and the Committee for Program and Coordination. This action will enhance their credibility by demonstrating to other member countries that these activities are included in the proposed budget. The Secretary of State should consult with other major contributors in the Western European and Other Group on the importance of identifying such activities so that a common strategy for reducing budget growth can be developed. The Secretary of State should continue to stress the importance for the Secretary General to comply with repeated resolutions requesting him to identify marginal activities. The Secretary of State should annually advise the appropriate congressional committees on the status of U.N. identification efforts and the effect on U.S. contributions.

Agency Comments/Action

No agency comments were received as of the date of this report.

Appropriations

International organizations - Department of State

Appropriations Committee Issues

In view of growing U.N. costs and the corresponding U.S. contribution, the Committees should gain assurances from the Department that: (1) it is continuing its efforts to gain compliance by the Secretary General in identifying marginal U.N. activities, and (2) it has urged consideration of the Joint Inspection Unit recommendations and has suggested that existing rather than new U.N. bodies be used to identify marginal activities to preclude additional costs.

DEPARTMENT OF THE INTERIOR

Trans-Alaska Oil Pipeline Operations: More Federal Monitoring Needed (EMD-81-11, 1-6-81)

Budget Function: Energy: Energy Supply (0271)
Legislative Authority: 49 C.F.R. 195. P.L. 93-153.

To see how well the pipeline monitoring of both pipeline and environmental integrity is being carried out, GAO evaluated several technical and environmental stipulations imposed on the operating company as conditions for the pipeline's right-of-way across Federal lands.

Findings/Conclusions: The operating company has deviated from various technical requirements designed to prevent or detect oil leaks, and corrective action has not always been taken. It was also found that: the company is not complying with the stipulation for a system that would detect pipeline settling and thus provide an early warning leak prevention system; it has not run internal corrosion pitting surveys as frequently as required in the approved corrosion control plan; the line volume balance leak detection method is not operating at the sensitivity specified in the approved design; the effectiveness of the earthquake-monitoring system has not been thoroughly evaluated by the agency; and the monitoring office of the agency is experiencing difficulty in staffing because of executive branch hiring limitations imposed to cut costs and the agency's deemphasis on the use of consultants. Since applicable costs are charged to the operating company, these hiring limitations are unnecessary. GAO and a consultant spot-checked conditions along the length of the pipeline. The operating company has been responsive to various environmental problems which had been identified. However, in order to fully adjudge the company's compliance with the stipulations, long-term environmental impact research is necessary. The research which has been done has been uncoordinated and inadequate. The problem is exacerbated by the fact that other agencies, including the U.S. Fish and Wildlife Service and the U.S. Geological Survey, cannot charge the cost of pipeline-related environmental studies to the operating company.

Recommendations: The Secretary of the Interior should direct the authorized officer to establish a list of the priority research requirements necessary to evaluate the long-term environmental impact of the Alyeska Pipeline Service Company's actions, and conduct or arrange to have such studies conducted. Consideration should be given to the research projects previously mentioned in this report.

Agency Comments/Action

Interior has taken action on the GAO recommendations. A plan for an early warning leak prevention system is being prepared and analyses on long-term environmental studies are being conducted. Whether these studies address GAO concerns remains to be determined.

Appropriations

Energy development in Alaska - Department of the Interior
Energy development in Alaska - Department of Energy

Appropriations Committee Issues

The Appropriations Committees should review the ability of the Department of the Interior to effectively monitor the pipeline, given staffing limitations to cut the program's costs during coming fiscal years.

DEPARTMENT OF THE INTERIOR

Actions Needed To Increase Federal Onshore Oil and Gas Exploration and Development (EMD-81-40, 2-11-81)

Budget Function: Energy: Energy Supply (0271)
Legislative Authority: Mineral Lands Leasing Act (30 U.S.C. 181 et seq.; 30 U.S.C. 351 et seq.). Federal Coal Leasing Amendments Act of 1975 (90 Stat. 1083). Wilderness Act (16 U.S.C. 1131 et seq.). Wild and Scenic Rivers Act (16 U.S.C. 1280). Department of Energy Organization Act (42 U.S.C. 7101).

The use of Federal lands for fossil fuels exploration has become an important issue. Managing these lands involves difficult trade-offs between the often-conflicting issues of development, conservation, and environmental protection. An examination was performed to determine how the exploration and development of oil and gas from Federal lands could be accelerated.

Findings/Conclusions: GAO found that the use of Federal lands for fossil fuels exploration and development is hampered by: (1) the unavailability for leasing of prospectively valuable Federal oil and gas lands; (2) the imposition of stipulations on leases which restrict exploration and development; and (3) lengthy delays in the approval of Federal leases and drilling permits. GAO has determined that the first two of these issues are more significant due to the indefinite duration of actions which have closed lands, the severeness of stipulations on leases, the large acreages involved, and their substantial oil and gas potential.

Recommendations: Congress should determine whether it wishes to be excluded from the review and possible disapproval of decisions to close lands to mineral leasing. If not, Congress should amend section 202(e) of the Federal Land Policy and Management Act to provide that the management decisions closing lands to mineral leasing and affecting smaller sized tracts should be reported to Congress. Section 202(e) should be further amended to require that Department of the Interior submit with each report to the Congress the minerals report described in section 204(c)(2) for withdrawals and any other information required in section 204(c)(2) which the Congress considers appropriate. Congress should also amend section 3 of the Engle Act so that the withdrawal information for military applications conforms with the Land Policy and Management Act's section 204(c)(2) requirements for mineral analyses. The Secretary of Defense should formulate a minerals policy, consistent with current national energy needs and evaluations of oil and gas potential on affected lands, that will provide guidance to the military services in making installations available to leasing. The Secretaries of Agriculture and the Interior should direct the Forest Service and the Bureau of Land Management, respectively, to establish standards and criteria for the use of restrictive stipulations, such as surface disturbance and "no surface occupancy" restrictions. Leasable lands should then be inventoried to determine the extent of the use of such stipulations and to verify if the stipulation use meets the standards and criteria. Stipulation uses which are determined to be unjustified should be removed. The Secretary of the Interior should (1) direct the Bureau of Land Management to change its guidelines implementing the National Environmental Policy Act to defer the requirement for environmental assessments for oil and gas activities until surface disturbance is proposed; (2) direct the Bureau to establish standard timeframes for the completion of lease processing; (3) direct the Bureau to work with surface management agencies to develop cooperative agreements and goals for lease processing; (4) direct the Bureau to develop a standard followup system for tracking outstanding lease applications; (5) direct the Geological Survey to clearly state in its guidelines (Notice to Lessees No. 6) what the operator is required to submit, such as designation of operator, and unit agreements, to meet the Survey's legal and administrative requirements; (6) direct the Survey to review drilling permit applications and notify an applicant within 7 days of filing date if his application is incomplete; (7) direct the Survey to develop standard procedures for tracking and recording actions taken on Applications for Permit to Drill; and (8) direct the Survey to coordinate with operators so that they have an archaeologist available during joint-site inspections, whenever a surface-managing agency requires that an archaelogical survey be done prior to drilling. The Secretary of the Interior should (1) establish criteria upon which "no leasing" decisions must be based and also require the Bureau of Land Management to maintain records of "no leasing" decisions adequate enough to permit periodic congressional oversight; (2) require the Bureau to inventory lands which have been closed by management decision to oil and gas leasing, and then retain closure only to the extent it can demonstrate that a continuation of the decision not to lease is based on the criteria defined above; (3) direct the Bureau to give priority to evaluating pre-Engle Act Defense withdrawals under the Bureau's withdrawal review program, and any existing prohibitions on oil and gas leasing should be reviewed and revoked where possible; and (4) direct the Geological Survey to review the oil and gas potential of the Fish and Wildlife refuges in the lower 48 states, and report its findings to the Bureau and the Fish and Wildlife Service. The Secretary should then seek regulatory changes to make these lands available for leasing in a manner compatible with their fish and wildlife resources, and report his findings to Congress; direct the Bureau to develop a withdrawal review program, similar to the Federal Land Policy and Management Act's program, to include the remaining 38 States; and direct the Bureau to inventory and justify lands withheld from the simultaneous leasing system.

Agency Comments/Action

The Department of the Interior agreed with most of the report's recommendations and has taken actions to better coordinate mineral leasing actions with the Department of Agriculture. However, Interior does not feel that its land use planning closes land to leasing, that an inventory of lands closed administratively to leasing is warranted, or that timeframes for lease issuance should be implemented by the Bureau.

Appropriations

Energy and minerals - Department of the Interior, Bureau of Land Management
Energy and minerals - Department of the Interior, Geological Survey

Appropriations Committee Issues

The Committees should consider the loss of Federal revenue from lengthy delays in issuance of oil and gas leases as well as oversight of management of Federal lands.

DEPARTMENT OF THE INTERIOR

Federal Charges for Irrigation Projects Reviewed Do Not Cover Costs

(PAD-81-07, 3-3-81)

Budget Function: Natural Resources and Environment: Water Resources (0301)
Legislative Authority: Reclamation Act. Water Resources Development Act of 1974 (P.L. 93-251). Desert Land Act. Carey Act (Irrigation). Fact Finders Act (Reclamation Projects) (43 Stat. 703). Reclamation Extension Act. Reclamation Project Act of 1939. Omnibus Adjustment Act (Irrigation Projects) (44 Stat. 636). H.R. 4127 (96th Cong.). H.R. 4135 (96th Cong.). S. 1599 (96th Cong.). Gibbons v. Ogden, 22 U.S. 1 (1824).

The Water and Power Resources Service (WPRS) is responsible for most Federal irrigation projects and charges beneficiaries for the use of water. GAO reviewed several WPRS projects under construction to determine: (1) what charges will be made for the water; (2) to what extent the charges will cover the costs to the Federal Government for providing the water; and (3) whether farmers could pay more for the water without impairing their operations or seriously damaging their profits.

Findings/Conclusions: Legislation originally stipulated that the charges for Federal water should return all the costs of building the irrigation projects; however, subsequent laws have not required certain beneficiaries to repay their share in full. WPRS fixes a price for its irrigation water according to the farmer's ability to pay for the water, which is the amount left over from an average farmer's gross income after deducting all production costs. This amount is much less than the Federal Government's cost of producing the water. A GAO economic analysis indicated that charging full cost for the water at a 7.5 percent interest level would be too expensive for farmers to afford Federal water. GAO found that charging a full-cost price without the interest charge, called the interest-subsidy price, would lower the cost of irrigated agriculture and increase yield enough so that farmers could probably increase their net income by buying Federal water.

Recommendations: The Secretary of the Interior should direct the Commissioner of WPRS to develop and include the following economic analyses in their documents prepared as support for Congress during the authorization and appropriation process: (1) estimates of the Federal Government's full cost of producing irrigation water, including an interest rate that reflects the then-current cost of money borrowed by the Federal Government. To place this cost in perspective, it should be presented as an annual figure on an acre-foot and irrigated acre basis; (2) estimates of only the yield increases expected for the acres that will receive Federal water which will allow Congress and other decisionmakers to compare the gains in net income from the WPRS farm budget approach to the gains directly attributable to the application of more irrigation water; and (3) estimates of the change in net income on the acres to receive Federal water at full cost. This comparison of costs and gross income changes because of irrigation will show policy makers the direct economic value of producing more irrigation water.

Agency Comments/Action

A letter dated June 16, 1981, from the Interior says that the Commissioner of the Bureau of Reclamation assured it that the existing analyses done by the Bureau do cover the areas recommended by GAO. The letter specifically stated that Bureau budget documents reveal the full cost of the irrigation function.

Appropriations

Water project construction - Department of the Interior, Bureau of Reclamation

Appropriations Committee Issues

During a review of the budget justification documents, the Committees and staff should question Bureau representatives about the interest rate used to arrive at the full cost data which they say is presented therein. They should also be asked to compare the increase in per-acre farm income due to direct application of Bureau water to the annual full cost (per acre) of Federal water.

DEPARTMENT OF THE INTERIOR

Issues in Leasing Offshore Lands for Oil and Gas Development (EMD-81-59, 3-26-81)

Budget Function: Energy: Energy Supply (0271)
Legislative Authority: Outer Continental Shelf Lands Act (P.L. 83-212; 43, 43 U.S.C. 1331; 16 U.S.C. 1361). Outer Continental Shelf Lands Act Amendments of 1978 (P.L. 95-372). Fish and Wildlife Act of 1956 (16 U.S.C. 742a). Fishery Conservation and Management Act of 1976 (16 U.S.C. 1801). Environmental Policy Act of 1969 (National) (P.L. 91-190; 42 U.S.C. 4321). Water Pollution Control Act Amendments of 1972 (Federal) (33 U.S.C. 1251). Coastal Zone Management Act of 1972 (P.L. 94-370; 16 U.S.C. 1451). Coastal Zone Management Act Amendments of 1976. Marine Protection, Research, and Sanctuaries Act of 1972 (P.L. 92-532; 16 U.S.C. 1431). Marine Mammal Protection Act of 1972. Endangered Species Act of 1973.

Up to 60 percent of the Nation's undiscovered oil and gas resources are believed to be contained in the Outer Continental Shelf (OCS). Over the past 10 years, Congress and three Administrations have attempted to accelerate the leasing of these areas for oil and gas exploration and development. OCS leasing and development increased significantly during the 1970-80 period. The number of sales increased by more than 50 percent, and sales were held for the first time in seven new OCS frontier areas. These increases were achieved during a time when sales were continuously delayed by lawsuits. However, the planned goals of the 1970's were never achieved, only about 60 percent of the planned sales were held, the amount of land leased was only a small fraction of what was planned, and nine frontier areas were not opened for leasing.

Findings/Conclusions: Environmental concern and limited industry interest in the areas proposed for leasing appear to be the two major factors that have affected achievement of the leasing goals of the 1970's. Public concern and the need to develop more information about the environmental aspects of offshore development have led to an extension in the time needed to plan for lease sales, resulting in numerous lease sales being delayed or canceled. Concern as to whether the Government is receiving a fair monetary return on OCS resources, the restriction of OCS leasing in offshore national defense areas, and boundary disputes have also had an impact on the leasing goals. Because of these, about 25 million acres of OCS are not currently available for leasing. The majority of this acreage is thought to have good resource potential. Legislation enacted in 1978 seems to be working toward expediting the leasing and developing of OCS lands, but it is not leading to a timely resolution of the problems being surfaced. Numerous groups involved in the OCS program, including the Department of the Interior, have developed their individual perceptions of how the law is to be implemented. Also, there is considerable disagreement between Federal and State Governments on how State and local governments are to participate in the OCS decisions. Judicial decisions have significantly affected the policies and direction of offshore development as well as the administrative procedures of Interior. Interior is considering proposals to streamline the prelease process and to increase offshore leasing.

Recommendations: The Secretary of the Interior should identify and examine alternatives for leasing more of the tracts offered in lease sales. The Secretary of the Interior should take appropriate steps to ensure that sales scheduled under the present program are held as planned, thus giving a greater degree of credibility to the OCS leasing program. The Secretary of the Interior should continue to seek ways to streamline the leasing process with special emphasis on reducing the amount of time needed to plan for second and follow-on sales in a lease area, particularly the time needed to comply with environmental impact statement requirements. The Secretary of the Interior should reexamine the justification and rationale for the withdrawal of the 25 million acres of offshore lands currently not available for lease. The resource potential of these lands should be reexamined and reweighed against the reasons for exclusion to see if any additional high potential lands could now be made available for lease. The Secretary of the Interior should direct the United States Geological Survey to intensify its efforts to define more precisely the portions of the OCS that are potentially attractive for leasing. This action should lead to increased leasing in those specific areas within OCS regions where oil and gas resources are thought to be located.

Agency Comments/Action

Interior announced a proposed, revised OCS leasing schedule in April 1981. However, Interior's plans are still vague in two areas: (1) ensuring that sales are held on schedule; and (2) examining alternatives for leasing more tracts.

Appropriations

Energy leasing - Department of the Interior, U.S. Geological Survey

Appropriations Committee Issues

The Committees should monitor the progress of OCS sales, given their impact on revenues. OCS sales are a primary source of budget revenues and would be expected to increase under Interior's new schedule.

The Impact of Geothermal Development on Stockraising Homestead Landowners (EMD-81-39, 4-16-81)

Budget Function: Energy: Energy Supply (0271)
Legislative Authority: Enlarged Homestead Act. Geothermal Steam Act of 1970. Surface Mining Control and Reclamation Act of 1977. Land Policy and Management Act.

A controversy exists at the Geysers Known Geothermal Resource Area in California, and possibly elsewhere, over compensation for geothermal development activities on lands acquired by private individuals but where the mineral interests are owned by the Federal Government. Thirty million acres of such land, thought to have limited use otherwise, have been conveyed to individuals for stockraising purposes. The Federal courts have held that geothermal resources were mineral resources and thus were subject to leasing on stockraising lands. Such leasing has begun and, as a result, some surface estate landowners lost rents and royalties anticipated for resources they thought were theirs, or otherwise felt threatened by development taking place around them.

Findings/Conclusions: The Federal Government does not have the responsibility to negotiate what, if any, compensation is appropriate for owners of stockraising lands because geothermal development takes place on their lands. Whether or not Federal leasing takes place on their lands, owners of stockraising lands could be adversely affected by geothermal development activity taking place on the surrounding private, State, and Federal lands. The impacts could be greater if their land is leased. Most individual ownership parcels are considered recreational in nature. Yet even these uses may be eliminated, reduced, or impaired by geothermal activity, with a resulting loss in land value. While protection bonds have been obtained, compensation agreements have been worked out betweeen surface owners and lessees for only five of the nine leases issued so far. GAO believes that being able to begin lease operations by merely filing a protection bond is a disincentive for the lessee to negotiate such an agreement. The landowners are concerned that their interests are adequately protected, and even profitable, as a result of geothermal development on and around their lands. It is doubtful that they will be satisfied with compensation that is less than the annual rentals and royalties they were to receive before the decision. The rents and royalties now go to the Federal Government. The landowners, under existing legislation, are entitled to compensation only for damages to their crops and tangible improvements.

Recommendations: The Secretary of the Interior should (1) require that the Bureau of Land Management (BLM) develop specific procedures for notifying surface owners of lease sales and the issuance of leases involving their land for geothermal as well as other mineral development; (2) take what steps he can to encourage lessees/developers and surface owners to enter into agreements concerning payment for damages to crops and other tangible improvements; (3) consider the BLM interpretation of the term tangible improvement as set out in the BLM memorandum of December 21, 1979; and (4) consider the extent to which compensation for indirect damages to tangible improvements should be allowed and whether the Stockraising Homestead Act should provide compensation for a decrease in the value of land and interference with its use and enjoyment.

Agency Comments/Action

Interior has planned some modifications of its memoranda of understanding with the Forest Service on landowner agreements. The Solicitor is reviewing other GAO recommendations to determine whether changes are needed to BLM procedures.

Appropriations

Energy leasing - Department of the Interior, Bureau of Land Management

Appropriations Committee Issues

The Committees may wish to consider whether this conflict could have an impact on future geothermal development.

DEPARTMENT OF THE INTERIOR

Are Agencies Doing Enough or Too Much for Archeological Preservation? Guidance Needed (CED-81-61, 4-22-81)

Budget Function: Natural Resources and Environment: Recreational Resources (0303)
Legislative Authority: Environmental Policy Act of 1969 (National) (P.L. 91-190). Historic Preservation Act (P.L. 89-665). Historic Sites Act (P.L. 74-292). Archaeological Resources Protection Act of 1979 (P.L. 96-95). National Historic Preservation Act Amendments of 1980 (P.L. 96-515). Antiquities Act (P.L. 59-209). Executive Order 11593. P.L. 86-523. P.L. 93-291. Department of Interior Order 3060.

Congress has passed the National Historic Preservation Act Amendments to provide additional guidance and clarification to the National Preservation Program. The amendments give the Secretary of the Interior the authority to waive the 1-percent limitation on the use of project funds to defray the costs of data recovery, increase the role of State historic preservation programs, and clarify Federal agency responsibilities. GAO reviewed the programs of eight agencies whose activities had potential major impacts on archeological sites, the operations of five State historic preservation offices, and the program management of the Heritage Conservation and Recreation Service and the Advisory Council on Historic Preservation.

Findings/Conclusions: The National Archeology Program, which costs about $100 million a year, is not working well. The Department of the Interior must provide better leadership and direction to Federal agencies and States. Without better guidance, some Federal agencies could spend billions of dollars over the next 10 to 30 years for archeological surveys, many of which may not be necessary, while other agencies may not do enough to identify and protect archeological sites. Interior has not established good criteria for agencies to use in determining whether identified sites are important to the national heritage nor has it provided guidance on the extent to which archeological resources must be recovered, recorded, or preserved to comply with Federal laws and regulations. This has resulted in project delays, increased costs, and general confusion over what is required to identify sites, determine their significance, and protect their resources. Federal departments and agencies interpret their responsibility for identifying archeological resources differently. Federal agencies rarely coordinate archeological overview studies which could avoid duplication and save money. State historic preservation offices could help Federal agencies determine which properties have State and local significance and are eligible for listing on the National Register. While some agencies limit archeological excavation to project areas, others require Federal permittees and grantees to excavate sites well outside those areas. Lack of information on program costs and accomplishments hampers the program.

Recommendations: The Secretary of the Interior should seek an amendment to the Archeological and Historic Preservation Act clarifying Interior's rulemaking authority. The Advisory Council on Historic Preservation should require Federal agencies, on large and controversial archeological projects, to establish peer review panels to help agencies determine how much archeological excavation is necessary and to monitor contractor progress and performance. The Secretary of the Interior should promulgate regulations on Federal data recovery efforts and reporting systems including improved dissemination of archeological reports to the National Technical Information Service so that information can be made available to the archeological profession and Federal, State, and local officials in a decisionmaking capacity. The Secretary of the Interior should promulgate regulations on Federal data recovery efforts and reporting systems including the development of agency reporting systems for providing information to Interior and agency management on program costs and accomplishments so that program effectiveness can be monitored and reported to Congress. The Secretary of the Interior should allocate a portion of Historic Preservation Fund grants for State presevation plan development and make available to States 70 percent Federal against 30 percent State matching grants to use in developing statewide plans based on criteria established by the Secretary in consultation with the various States. The Advisory Council on Historic Preservation should require Federal agencies to define specific significant research questions to be addressed in data recovery, in order to justify archeological excavation costs. The Secretaries of HUD, Interior, and the Advisory Council on Historic Preservation should, either together or separately, seek the opinion of the Attorney General concerning the extent to which HUD is required to make archeological surveys to determine whether archeological resources will be affected by federally assisted housing projects. The Secretary of the Interior should promulgate regulations on Federal data recovery and reporting systems including who should pay for archeological work so that unnecessary project delays and increased costs can be prevented. The Secretary of the Interior should promulgate regulations on Federal data recovery efforts and reporting systems including the specific circumstances and that extent to which agencies are required to excavate sites outside a project's direct impact area. The Secretary of the Interior should make State historic preservation offices the focal point for determining whether archeological resources are significant enough to list on the National Register of Historic Places. The Advisory Council on Historic Preservation should require Federal agencies to relate data recovery to priorities defined in State historic preservation plans, where approved plans exist. The Secretary of the Interior should issue guidelines for the appropriate and consistent development of State archeological data management capabilities, State archeological surveys, and determination of State and local site significance. The Secretary of Agriculture should direct the Forest Service to improve its program for identifying archeological resources by making sufficiently comprehensive surveys to preclude the need to resurvey the same lands for future projects. The Secretary of Agriculture should direct the Forest Service to improve its program for identifying archeological resources by monitoring projects to verify that significant archeological sites are protected. The Secretary of the Interior should propose to OMB revisions to Executive Order 11593 to state that Federal agencies are required to conduct archeological surveys on Federal lands only (1) when a land-disturbing activity is planned; (2) when the operation of existing projects may threaten resources; or (3) on a sampling basis as part of overview studies for general planning purposes. The Secretary of Agriculture should require the Forest Service to improve its program for identifying archeological resources by performing archeological surveys on Forest Service lands before timber harvests or other land-altering projects. The Secretary of the Interior should finalize regulations setting forth detailed procedures explaining how Federal agencies are to conduct surveys and investigations to locate and identify archeological properties. The Secretary of the Interior should require States to submit adequate plans as a condition of receiving Historic Preservation funds. The Secretary of the Interior should establish formal coordination procedures among Federal and State agencies performing archeological overviews.

Agency Comments/Action

HUD and Interior have not responded to date as to the actions they have taken or are planning to take. The Forest Service is proposing a restatement of current policy, concerning the performance and surveys on forest lands before timber harvests, to fulfill the GAO recommendations. It is also developing a data management support and sampling system to preclude the need to resurvey lands that have already been surveyed and expects to be operational in FY 1982. In monitoring projects to verify that significant archeological sites are protected, the Forest Service is requiring the monitoring and reporting results of surface disturbing projects to be developed. This reporting will be integrated into the budget and planning process and will be reflected in the targets established for each management unit and in measuring the accomplishment of each unit. The Advisory Council on Historic Preservation (ACHP) has contacted both Interior and HUD about jointly seeking the opinion of the Attorney General to see if HUD is required to make archeological surveys to determine whether ACHP is working with the Corps of Engineers' various State Historic Preservation Offices (SHPO), the Bureau of Land Management, and the Forest Service in developing regional archeological planning to develop a framework to make better decisions. A handbook is being developed to help agencies define specific significant research questions. ACHP is also compiling a list of qualified archeologists willing to serve on a peer review panel.

Appropriations

Archeology and historic preservation - Department of the Interior, National Park Service

Appropriations Committee Issues

In chapter three of the report, GAO pointed out the importance of the SHPO's in being the focal point to help Federal agencies determine which properties have State and local significance and are eligible for listing on the national register. GAO recommended that a larger portion of the Historic Preservation Fund grants go to the States to help them develop federally approved State plans. However, the President's budget calls for reducing the Historic Preservation Fund from $32 million to $5 million in FY 1982 which would cut off Federal funding of SHPOs and greatly reduce their role in determining significance. This will seriously impede the Government's program to determine archeological significance because, without adequate State plans and criteria, almost any site can be justified as significant. The most likely result of this reduction is that the Government will probably spend millions more than it would save in trying to assess State and local significance.

DEPARTMENT OF THE INTERIOR

Minerals Management at the Department of the Interior Needs Coordination and Organization (EMD-81-53, 6-5-81)

Budget Function: Natural Resources and Environment: Other Natural Resources (0306)
Legislative Authority: Mining and Minerals Policy Act of 1970 (30 U.S.C. 21a; 16 U.S.C. 1531). Multiple-Use-Sustained-Yield Act of 1960 (16 U.S.C. 528 et seq.). Forest Management Act (16 U.S.C. 472a). Land Policy and Management Act (43 U.S.C. 1701 et seq.). Wilderness Act (16 U.S.C. 1131 et seq.). Engle Act (Minerals). Environmental Policy Act of 1969 (National) (42 U.S.C. 4321 et seq.). Wild and Scenic Rivers Act (16 U.S.C. 1271 et seq.). Clean Air Act. Endangered Species Act of 1973.

Growing national awareness of the strategic importance and uncertain sources of some minerals is leading to development of a strategic minerals policy. In 1980, Congress enacted the National Materials and Minerals Policy Research and Development Act. The Act establishes the Executive Office of the President as the focus of policymaking in this area. Any national policy for assuring availability of such strategic minerals as cobalt, tin, chromium, and platinum must be formulated in light of the potential of federally controlled resources and the ramifications of Federal land use decisions for domestic supply of these commodities.

Findings/Conclusions: There is a need to improve access to Federal lands for mineral exploration and development while continuing to protect social and esthetic values. Improving access for mineral prospectors and mining operations will best take the form of clarifying the conditions under which exploration and development will be allowed to occur for all types of minerals. GAO found that the Department of Interior does not have an adequate minerals management policymaking process. Decisions affecting exploration and development of mineral resources are made without reference to larger strategies for affected commodities or markets and the satisfaction of strategic supplies. Not having a minerals management policymaking process has contributed to: (1) a lack of a a clear understanding of the public interest in federally owned mineral resources; (2) the potential for large Federal outlays to acquire valid mineral rights to resolve land use conflicts; (3) a disregard for the repercussions of decisions to limit mineral activities on affected industries; and (4) a limitation of acquisition of mineral resource information for areas closed to private industry, uncertainty as to the conditions for access and tenure needed to encourage investment in mining ventures, and delays in reaching decisions affecting access to Federal lands for mineral exploration and development. Secure sources and stable prices for mineral commodities can be overlooked or inadequately assessed. Access and tenure should be denied only where an identifiable public interest would be unnecessarily or permanently damaged.

Recommendations: The Secretary of the Interior should develop a minerals management program plan which outlines and discusses in detail the objectives and goals of the Department of the Interior with respect to the key questions of Federal mineral resource management. He should examine how such an explicit statement of objectives could be used to evaluate and provide consistency to the Department's mineral-related budget submissions, program proposals, and administrative actions. The plan should include specific national objectives for the Department's mineral resource programs, explain criteria for establishing priorities for mineral exploration and development, examine constraints to long-term mineral management goals and alternatives for coping with them, and devise strategies for anticipating and contributing to national industrial and strategic requirements. Initial formulation of Federal minerals management objectives should be done without regard to the constraints of existing legislation and organization. However, development of the plan should include explicit evaluation of the adequacy of existing legislative and administrative authority to integrate the objectives of minerals management with those of other resource management programs. Then, from the perspective of multiple resource management, avoidable conflicts should be resolved and procedures for site-specific trade-off analysis of both social and economic values should be developed. For mineral resources, in particular, the long-term as well as current repercussions of land disposition decisions should be periodically and cumulatively monitored. Both legislative and administrative corrections to achieve this end may need to be proposed. Development of the mineral management program plan should provide an opportunity for public and industry participation and coordination with local and regional planning agencies. The Secretary should also evaluate the need to consolidate or otherwise coordinate Interior's mineral resource authorities, such as assigning responsibility for all mineral management functions to a single Assistant Secretary.

Agency Comments/Action

The Department of the Interior was late in responding to the GAO report. The Department agrees substantively with the recommendations. However, it does not believe a minerals program plan can be devised at this time.

Appropriations

Energy and minerals management - Department of the Interior, Bureau of Land Management
Energy and minerals management - Department of the Interior, Geological Survey

DEPARTMENT OF THE INTERIOR

Assessing the Impact of Federal and State Taxes on the Domestic Minerals Industry (EMD-81-13, 6-8-81)

Budget Function: Natural Resources and Environment: Other Natural Resources (0306)
Legislative Authority: Mining and Minerals Policy Act of 1970 (30 U.S.C. 21a). National Materials and Minerals Policy, Research and Development Act of 1980 (P.L. 96-479). Revenue Act. Tax Reform Act of 1969. Tax Reform Act of 1976. National Materials Policy Act of 1970. Congressional Budget and Impoundment Control Act of 1974 (88 Stat. 297). S. Rept. 96-937.

A quantitative assessment was made of one quantitative method for assessing the effects of Federal and State taxes on the profitability of domestic mines and mineral deposits and the attendant implications for domestic mineral production. On the Federal level, GAO analyzed the depletion allowance, the investment tax credit, and the provision for expensive exploration and development costs. Property, severance, and income taxes were analyzed on the State level. In seeking to develop a method for measuring the impact of Federal and State taxes on domestic mineral profitability, production, and investment, GAO used a computer model developed by the Bureau of Mines. The model calculates net present values and discounted cash-flow rates of return for currently producing mines and for undeveloped deposits. Further, the analysis was performed on four mineral commodities. Copper, lead, zinc, and molybdenum were selected because the United States is a competitive producer of these minerals. These minerals are also important to the Nation's economy; they contribute $2.6 billion toward the gross national product and provide employment for 65,000 people.

Findings/Conclusions: In its review, GAO found that: (1) sufficient quantitative studies have not been performed to analyze the effectiveness of percentage depletion as an incentive for mineral production, investment, and exploration; (2) sufficient analysis has not been undertaken on the investment tax credit or on the tax benefits to the minerals industry through the expensing of exploration and development costs; (3) 97 percent of depletion allowance-tax expenditure benefits accrue to mines which would be profitable even in the absence of this incentive; (4) only a small percentage of the benefits go to marginal mines which might not produce otherwise; (5) modifications could be applied which would increase the benefits of the allowance to marginal mines and could result in increased production; (6) the investment tax credit has little or no significant effect on unprofitable mines because they have no Federal tax liability against which the credit might be applied; (7) the model results show that 34 percent of the available investment tax credit cannot be used by domestic copper, lead/zinc, and molybdenum mines; (8) the present model is not capable of determining whether the credit rewards production would have occurred regardless or whether it encourages new investment; and (9) changes in the bases, rates, and timing of State taxes can significantly affect the present value of producing mines and the investment potential of nonproducing deposits.

Recommendations: The Secretary of the Interior should take the lead in developing and refining a framework to quantitatively analyze the link between taxes and mineral policy, and report to Congress on his findings. At such time as the President formally designates an organization within the Executive Office of the President to be responsible for policy assessments under the 1980 Act, the Secretary of the Interior should inform the head of that organization of the progress and nature of the Interior study and invite any assistance in its completion and evaluation. When completed, the study could be used by such an organization in its policy analysis and decisionmaking functions. The Secretary of the Interior's studies should include a broadening and sharpening of the analysis of percentage depletion presented herein. The analysis should be broadened to include the 23 critical minerals included in the Bureau of Mines Minerals Availability System data base and eligible for percentage depletion. It should be sharpened to reduce the uncertainty in the major assumptions, especially those relating to cost, price, and the treatment of each mine as a separate taxpayer. Sensitivity analysis should be performed to determine the importance of the assumption to the results. This analysis should not be either a defense or support of percentage depletion, but rather, it should objectively examine the effectiveness of percentage depletion as a tax incentive for production, investment, and exploration. The studies should include a more refined analysis to determine the effects of the proposal to refund the unused portion of the investment tax credit. Given that a substantial portion of the investment tax credit is unused, and that the beneficiaries of refunding the unused credit would be marginal and unprofitable mines, further attention should be paid to this type of refund as a way to stimulate production at marginal mines and to provide a source of funds for mineral exploration and development. The studies should also include further work on the provisions for expensing exploration and development costs. This should include an analysis of the effect of the recapture provision for exploration costs on the profitability of domestic deposits.

Agency Comments/Action

The Department of the Interior offered qualified support for the development of capability to analyze the relationship between tax policy and national minerals development objectives. The Department's performance in this regard should be examined in the context of overall executive branch activity to implement the National Materials and Minerals Policy, Research and Development Act of 1980.

Appropriations

Tax policy - Department of the Treasury

DEPARTMENT OF THE INTERIOR

Continuing Need for a National Helium Conservation Policy (EMD-81-91, 6-15-81)

Budget Function: Natural Resources and Environment: Conservation and Land Management (0302)
Legislative Authority: National Materials and Minerals Policy Research and Development Act. Helium Conservation Act. H.R. 3877 (97th Cong.). H.R. 7336 (96th Cong.). H.R. 2620 (96th Cong.). H. Rept. 96-1022.

Helium is currently used for a number of scientific and technical purposes, and it may be essential to the future development and implementation of several energy-related technologies presently being researched. However, helium resources are rapidly decreasing as their most economical sources, natural gas fields, are depleted, and as uncaptured helium is released to the atmosphere through the burning of natural gas. Of further concern is the fact that the natural gas with the greatest helium content is now being produced and will be substantially depleted within the years 1990 to 1995. Therefore, GAO undertook a review to determine what action has been taken in the past 2 years to develop a national helium conservation policy. GAO had previously recommended enactment of new legislation that would redefine the Nation's helium conservation program to take cognizance of the changing needs for helium and establish the objective of conserving helium resources to meet national requirements. GAO has also recommmended that the Secretary of the Interior, while working with Congress for the development of a new helium policy, undertake any steps necessary to conserve in the most efficient manner the helium from the Tip Top Gasfield in Wyoming, the Nation's largest known nondepleting reserve.

Findings/Conclusions: GAO found that, in the past 2 years, no significant Federal helium conservation action has been taken. Additionally, although legislation focusing on helium's energy-related uses has been introduced in Congress, none has been enacted into law. Meanwhile, helium continues to be depleted, the largest private helium extraction plant is still not operating, and very soon only one Federal plant will produce the gas. Furthermore, minimal Government and private conservation efforts have barely added to the existing helium stockpile since 1979. Although research and development funding cutbacks in the proposed 1982 Federal budget have touched on several helium-related technologies, funding for magnetic fusion, a potentially large user of helium, has increased, and the other cuts do not indicate that the ongoing Federal commitment to developing helium dependent technologies will soon end. However, the prospects for future conservation have been aided by the settlement of long-running litigation that has constantly hampered past conservation efforts. Also, the helium value litigation which has impeded conservation seems to be well on the road to settlement.

Recommendations: The Secretary of the Interior should direct the Department to develop and make available to the appropriate congressional committees its views on legislation to restructure the Nation's helium conservation program along lines which assure long range national helium supplies. The Secretary of the Interior should take the necessary steps to conserve helium from the Tip Top Gasfield in the most timely and efficient manner, including preparation of a comprehensive conservation plan and related budget requests.

Agency Comments/Action

Interior has begun actions to keep abreast of gas usage at Tip Top Gasfield and to study options to conserve its helium. However, Interior still maintains that legislation is not needed to restructure the Nation's helium conservation program.

Appropriations

Helium conservation program - Department of the Interior, Bureau of Mines

Appropriations Committee Issues

A long-term concern would be for appropriations to ensure that the large helium resources available in the Tip Top gas-field are conserved. This would be an appropriations item by about fiscal year 1987.

DEPARTMENT OF THE INTERIOR

How Interior Should Handle Congressionally Authorized Federal Coal Lease Exchanges (EMD-81-87, 8-6-81)

Budget Function: Energy: Energy Supply (0271)
Legislative Authority: Federal Coal Leasing Amendments Act of 1976 (P.L. 95-554; 30 U.S.C. 181 et seq.). Surface Mining Control and Reclamation Act of 1977 (30 U.S.C. 1201 et seq.).

GAO examined the experience of the Department of the Interior in handling a proposed exchange of Federal coal lands involving the Utah Power and Light Company, an exchange authorized by Congress in October 1978.

Findings/Conclusions: GAO found an unanswered question as to whether the company had a valid right to be issued leases, thus whether an exchange was even appropriate. The prior Administration entered into an exchange agreement with the company and began its evaluation on the basis that this question did not need to be addressed because Congress authorized the exchange. However, Congress clearly expressed its intent that before granting a noncompetitive lease, the requirements of the Mineral Leasing Act of 1920 be met. Secondly, there was a lack of data to make a realistic estimate of the coal reserves on the preference right lands, thus making it impossible to make a valid equal value determination, as required by legislation authorizing the exchange. Finally, consummation of the proposed exchange would have resulted in leasing noncompetitively a prospectively highly competitive tract. In addition, serious management weaknesses were noted which include: (1) the Interior tended to overlook technical problems and disregard normal operating procedures; (2) Interior officials did not involve U.S. Geological Survey (USGS) technical people in planning the technical requirements for making an equal value determination; (3) because coal data were inadequate and transportation and marketing assumptions were of questionable validity, the method used was inappropriate; (4) USGS present coal reserve evaluation standards were not adequate for evaluating complex coal deposits; and (5) USGS unnecessarily spent $800,000 and may spend about $640,000 more this year for drilling exchange lands.

Recommendations: The Secretary of the Interior should direct USGS to set standards for the minimum level of data that are needed to evaluate a proposed exchange and not allow the exchange where that level of data is not available. The Secretary of the Interior should direct USGS to establish definitive criteria for determining when the discounted cash flow economic evaluation method is appropriate for use in exchange evaluations. The Secretary of the Interior should direct USGS to revise USGS Bulletin 1450-B or establish separate guidelines to clarify guidance on how reserve estimates are to be made for lease sale purposes, particularly in instances where coal deposits reside in complex geologic formations. The Secretary of the Interior should direct USGS to develop explicit procedures under which the land exchange applicants could, and should, drill possible exchange tracts, thereby saving Federal expenditures and freeing the USGS limited resources to satisfy other higher priority drilling requirements.

Agency Comments/Action

Based on the GAO report, Interior announced its rejection of the proposed coal lease exchange in Utah and plans to include the exchange tracts in future competitive lease sales. Interior basically agreed with the recommendations to improve management of lease exchanges and has promised a number of actions to improve management of future exchanges. Specific Interior plans and revised regulations have yet to be issued.

Appropriations

Mineral leasing - Department of the Interior

DEPARTMENT OF THE INTERIOR

Simplifying the Federal Coal Management Program (EMD-81-109, 8-20-81)

Budget Function: Energy: Energy Supply (0271)
Legislative Authority: Federal Coal Leasing Amendments Act of 1976.

GAO reviewed the Department of the Interior's regulations for the management of existing Federal coal leases and preference right lease applications (PRLA's). The objective was to identify regulatory modifications that could simplify and ultimately enhance the timely and orderly development of coal on existing coal leases and PRLA's. The subjects of principal concern to GAO were: (1) the difficulties in implementing requirements for maximum economic recovery (MER); (2) the regulatory requirements for diligent development; (3) the designation of leases as logical mining units (LMU's); (4) duplication of effort in environmental review of coal mine plans; and (5) the lack of data needed to meet regulatory requirements for processing PRLA's.

Findings/Conclusions: GAO found that: (1) the existing and proposed regulations on MER were unnecessarily burdensome and almost impossible to administer; (2) the lack of flexibility in regulations directed at achieving more diligent development of existing Federal coal leases could be adversely affecting certain leases; (3) many of the leases designated as LMU's do not qualify as such, and the Interior's authority for making these designations is questionable; (4) in some instances, the mine plan review process was being reviewed by more than one organization, resulting in duplicate documents; and (5) the processing of many leases could be expedited by waiving certain regulations that were not in effect at the time the lease applications were submitted.

Recommendations: The Secretary of the Interior should direct that existing leases be formed into LMU's based on definitive criteria that considers owner's consent, tract size, and geology, rather than on arbitrary and universal criteria. The Secretary of the Interior should consider, in the analysis of coal leasing regulations, possible ways of eliminating costly and time-consuming duplication in the environmental review process. The Secretary of the Interior should revise the PRLA regulations to eliminate the inherent conflicts and to provide for a more expeditious means of administering and disposing of the outstanding PLRA's. The Secretary of the Interior should redefine MER and examine the implementing regulations with a view toward keeping the regulations and their administration as simple as possible. The Secretary of the Interior should consider incorporating in Interior regulations provisions providing for relaxation of the diligence requirements when market conditions or other factors beyond the lessees' control make strict compliance with existing diligence requirements impractical.

Agency Comments/Action

Interior believes that some regulations currently being drafted for the coal lease program may resolve GAO concerns.

Appropriations

Minerals management - Department of the Interior, Bureau of Land Management
Minerals management - Department of the Interior, Geological Survey

Appropriations Committee Issues

Streamlining the coal leasing program will assist the Federal Government to increase revenues. Therefore, the Committees should oversee progress by Interior in reducing duplicative, costly practices in its program.

DEPARTMENT OF THE INTERIOR

Mining on National Park Service Lands--What Is at Stake (EMD-81-119, 9-24-81)

Budget Function: Natural Resources and Environment: Other Natural Resources (0306)
Legislative Authority: Mining in the Parks Act (P.L. 94-429). National Materials and Minerals Policy, Research and Development Act of 1980. Land Policy and Management Act. Mining and Minerals Policy Act of 1970. Defense Production Act of 1950. Strategic and Critical Materials Stock Piling Act.

The Mining in the Parks Act prohibited further mineral exploration in six National Park Service (NPS) areas and placed environmental restrictions on development of existing mining claims in these areas. The Act also required the Secretary of the Interior to submit to Congress studies of the environmental consequences of mining in these areas accompanied by estimated acquisition costs of mining claims. GAO reviewed the adequacy of the reports submitted and looked at the NPS management of present mining operations in the park areas and the Department of Interior's analysis of the mineral policy implications of the Act.

Findings/Conclusions: GAO found that Interior's reports do not provide Congress with the information that it needs to weigh the environmental effects of mining against the cost of acquiring claims in the NPS areas. The environmental reports on mining in Death Valley and Glacier Bay National Monuments are so vague that they are of little use for determining the possible environmental impacts of mining in these areas. They contain little or no discussions of the steps that could be taken to minimize adverse impacts and thereby lessen the need to acquire certain mining claims. Additionally, the acquisition cost estimates submitted to Congress to purchase certain mining claims were not supported by sufficient documentation and were unreliable and misleading. As a result, much disagreement exists as to the worth of the mining claims recommended for acquisition. Further, GAO found that Interior did not perform a thorough analysis of the need and costs of acquiring mineral properties in Death Valley and Glacier Bay National Monuments. GAO believes that the recommendations based on the environmental data submitted to Congress by Interior for the acquisition of the properties could result in court awards substantially in excess of Interior's acquisition cost estimates. In addition, GAO found that Interior has not adequately analyzed the mineral policy implications of the Act. Therefore, the potential long-term effects on mineral resouces remains unanswered.

Recommendations: Congress should consider the need for the Federal Government to acquire additional information regarding the mineral potential of the Death Valley National Monument area. This information could be used for any future land use decision regarding the monument. In order to better understand the economic consequences of limiting mineral production in the monument area, Congress should consider returning the supply and marketing studies concerning borate and talc minerals developed by Interior for revision and updating. Congress should base no decision on the Secretary of the Interior's recommendations submitted in 1979 to acquire mineral properties in Death Valley and Glacier Bay National Monuments. Before taking any action, Congress should await new recomendations by the Secretary based on more adequate analysis. The Secretary of the Interior should notify Congress that Interior no longer supports the recommendations made in 1979 to Congress to acquire certain valid unpatented and patented mining claims in Death Valley and Glacier Bay National Monuments. The Secretary of the Interior should reexamine the need to acquire any mining claims in Death Valley and Glacier Bay National Monuments based on the progress to date in regulating mining activities to prevent adverse environmental effects and submit new recommendations to Congress. The Secretary of the Interior should insure that any future recommendations to Congress to acquire mineral properties on NPS lands be made only after determining what is at stake for all aspects of the public interest. Any recommendations should be based on site-specific analysis, acquisition cost estimates based on the best information available, and mineral supply and marketing analyses. This information should be developed in coordination with other pertinent Interior agencies such as the Bureau of Land Management, Bureau of Mines, and the U.S. Geological Survey to insure a consistent Department policy position. In addition, a description of the methodologies and supporting data used to develop the information and any limitations on the use of that information should accompany the recommendations. The Secretary of the Interior should amend sections 9.9 and 9.10 of the regulations for mining on NPS lands to include an economic evaluation of the changes required for mining plan approval. The Secretary of the Interior should remove the mineral management functions, including the mineral examination function, from the NPS. The Secretary of the Interior should consider the need to consolidate all of the Interior mineral management functions under a single Assistant Secretary.

Agency Comments/Action

In response to the GAO draft report, the Department of the Interior did not specify how it planned to implement the GAO recommendations. In fact, Interior's comments were nonresponsive and will be addressed in a supplemental report.

Appropriations

National parks and recreation areas - Department of the Interior, National Park Service

Appropriations Committee Issues

Congress should not take action to buy out any mining claims based on Interior's recommendations.

DEPARTMENT OF THE INTERIOR

BUREAU OF INDIAN AFFAIRS

Bureau of Indian Affairs Violated Antideficiency Act in 1977
(FGMSD-80-88, 10-2-80)

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (1101)
Legislative Authority: Antideficiency Act (31 U.S.C. 665 et seq.). 31 U.S.C. 712a.

A Bureau of Indian Affairs violation of the Antideficiency Act in fiscal year 1977 was an overobligation of at least $186,000, but perhaps as much as $13 million. It was not reported to the Office of Management and Budget and to Congress as required by law, and because problems permitting the violation prevailed throughout most of fiscal 1978, the Bureau may have had another Antideficiency Act violation that year. The Antideficiency Act was violated when the Bureau exceeded its fiscal 1977 obligational authority for the operation of Indian programs appropriation.

Findings/Conclusions: In attempting to alleviate the overobligation and avoid requesting a deficiency appropriation, the Bureau made a series of questionable adjustments. It dropped hundreds of valid obligations from the records and transferred many of them to the fiscal 1978 appropriation. An unsupported adjustment of $300,000 was made so that the Bureau's report on obligation status would show an unexpended balance. In this way, many unrecorded but valid field offices' obligations found after yearend could be included in the Bureau's records without showing an overobligation. The Bureau should have sought a deficiency appropriation to cover obligations for these costs. The actions to shift the fund shortages unnecessarily increased the Bureau's administrative costs. Two factors contributed to the Bureau's violation of the Antideficiency Act: (1) its budgeting and fiscal reporting systems did not contain controls to keep obligations within amounts specified in appropriation acts, and (2) extensive delays in recording obligations made it necessary to record numerous valid obligations after the books were initially closed for fiscal 1977. Both fund control problems have persisted for years in the Bureau's financial system. Improper measures to prevent overobligations may have resulted.

Recommendations: The Secretary of the Interior should: make sure the violation is reported as soon as practicable to the President and Congress as required by 31 U.S.C. 665(i)(2); have the review completed on the current year closing to make certain that fund shortages related to the violation are not shifted to future years' appropriations; ensure that the Bureau redesigns its accounting system to include appropriate fund controls, and submits the revised system to GAO for approval as soon as practicable; and require the Bureau to use its planned interim approach to validate fund availability until the redesigned system is operational.

Agency Comments/Action

The Bureau reported the violation and said that controls had been instituted to prevent future violations. The Bureau also said that the accounting system would be redesigned by the beginning of 1982 to daily identify any action which would cause an overobligation of funds.

Appropriations

Operation of Indian programs - Department of the Interior, Bureau of Indian Affairs

Appropriations Committee Issues

The Committees should monitor progress in redesigning its accounting system.

DEPARTMENT OF THE INTERIOR

BUREAU OF INDIAN AFFAIRS

Inappropriate Use of an Indian Trust Fund To Subsidize BIA Activities (FGMSD-80-78, 10-7-80)

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (1101)
Legislative Authority: 25 U.S.C. 155. 25 U.S.C. 1616. 31 U.S.C. 483a. 31 U.S.C. 686. 31 U.S.C. 686(b). 40 U.S.C. 303b. 40 U.S.C. 490(a). 22 Stat. 582. 22 Stat. 590. 44 Stat. 560.

The Indian Moneys, Proceeds of Labor Trust Fund is supposed to finance the Bureau of Indian Affairs' operation of Indian schools and agencies which should generate the trust fund's revenue. However, the Bureau uses the fund to support other administrative activities that are funded directly by appropriations. Contrary to law, trust fund revenue is generated from sources unrelated to authorized trust fund activities.

Findings/Conclusions: Although the fund should not finance the Bureau's operating expenses, it was used for such purposes. It was also used as a revolving fund to finance activities that support the Bureau's operations, other Federal agencies, and/or private organizations. Bureau officials told GAO that the trust fund was used for administrative expenses when appropriated funds ran out. By doing so, the Bureau used the fund to circumvent attempts by Congress to reduce the Bureau's administrative costs. The Bureau's appropriations accounting structure has procedures for handling reimbursements for goods and services. The trust fund is no longer needed to account for expenses and revenue of Indian agencies and schools operated by the Bureau.

Recommendations: Congress should repeal legislation which authorizes the trust fund known as Indian Moneys, Proceeds of Labor and then, in consultation with the Bureau of Indian Affairs, it should transfer moneys to appropriate sources such as other Indian trust funds, or to the Treasury as miscellaneous receipts. The Secretary of the Interior should make certain the Bureau of Indian Affairs revised accounting system be submitted to GAO for approval and include adequate fund controls to keep its organizational costs within amounts budgeted. The Secretary of the Interior should require the Bureau of Indian Affairs to follow applicable laws and regulations to manage the types of revenue that have been placed in the trust fund and make sure the amounts of revenues from such sources are fully disclosed to Congress.

Agency Comments/Action

BIA officials said that new regulations governing the fund's operations were proposed in November 1980 in response to the concerns raised by the GAO report. Issuance of the regulations was delayed primarily because of the Administration's moratorium on the promulgation of new regulations. Even if the regulations are approved, GAO believes that the fund's authorizing legislation should be repealed.

Appropriations

Operation of Indian programs - Department of the Interior, Bureau of Indian Affairs

Appropriations Committee Issues

The Senate Committee, in its FY 1982 Interior Department appropriation bill, provided for termination of the fund as GAO recommended. The House Committee should adopt a similar provision.

DEPARTMENT OF THE INTERIOR

BUREAU OF INDIAN AFFAIRS

Still No Progress in Implementing Controls Over Contracts and Grants With Indians (CED-81-122, 9-10-81)

Budget Function: Procurement--Other Than Defense (1007)
Legislative Authority: Indian Self-Determination and Education Assistance Act (P.L. 93-638). Buy Indian Act. Tribally Controlled Community College Assistance Act of 1978. P.L. 91-129. 31 U.S.C. 712a.

GAO was asked to review the accountability of Federal funds and property involving contracts and grants awarded for the benefit of Indians.

Findings/Conclusions: A GAO review of 178 grants and contracts disclosed that the Bureau of Indian Affairs continues to have problems administering and monitoring Indian programs and accounting for Federal funds. GAO found that 141 contracts and grants were awarded retroactively, resulting in expenditure of Federal funds over which the Federal Government has little or no control. Contracts and grants that the Bureau awarded to Indian tribes did not always have adequate criteria for measuring tribal performance. Thus, the Bureau cannot evaluate program results and properly audit the use of Federal funds. Contract and grant monitoring has been hampered by part-time supervision, inadequate monitoring of reports, little personnel training, and insufficient auditing. The Bureau was not requiring some tribes to submit timely expense vouchers which justified cash withdrawals under their letters of credit. Two Indian tribes did not have adequate control over Federal contract and grant funds which resulted in improper expenditure of funds, funds being transferred between Federal contract and grant programs, inadequate supporting expenditures, and improper reimbursements. GAO noted a potential conflict of interest between the program-related duties of the contract/grant officer representatives and their procurement-related duties of monitoring and reporting on tribal performance. Five of the nine tribes which GAO reviewed had inadequate or no property management systems. As a result, the tribes do not have adequate controls for the Government property in their possession.

Recommendations: During its authorization, oversight, and appropriation deliberations, Congress should require the Secretary of the Interior to report on the progress made in implementing the recommendations of GAO. The Secretary of the Interior should direct the Assistant Secretary for Indian Affairs to revise Bureau policies, procedures, and practices to require that all contract and grant agreements include specific criteria against which to measure performance. The Secretary of the Interior should direct the Assistant Secretary for Indian Affairs to revise Bureau policies, procedures, and practices to terminate a contract or grant where tribal performance constitutes grounds for termination under the pertinent statute. The Secretary of the Interior should direct the Assistant Secretary for Indian Affairs to revise Bureau policies, procedures, and practices to prohibit award of contracts in which the starting date precedes the date of award. The Secretary of the Interior should direct the Assistant Secretary for Indian Affairs to revise Bureau policies, procedures, and practices to enforce compliance with the letter-of-credit procedures. This should include: (1) precluding tribes from obtaining cash in excess of their immediate needs; (2) requiring the tribes to submit timely expense vouchers; and (3) revoking the letter-of-credit authority for tribes that fail to comply with the letter-of-credit procedures. The Secretary of the Interior should direct the Assistant Secretary for Indian Affairs to revise Bureau policies, procedures, and practices to require monitoring of tribal letter-of-credit withdrawals on each contract or grant to ensure that a tribe does not withdraw more than the amount authorized by the contract or grant. The Secretary of the Interior should direct the Assistant Secretary for Indian Affairs to revise Bureau policies, procedures, and practices to require the Bureau to arrange with certified public accounting firms for annual financial audits of contracts and grants with Indian tribes. The Secretary of the Interior should direct the Assistant Secretary for Indian Affairs to revise Bureau policies, procedures, and practices to prohibit, where no law specifically permits carryover of funds, the practice of using prior fiscal year funds to pay for goods and services that are to be provided in the subsequent fiscal year unless the services are part of a contract which is not feasible to divide between fiscal years. The Secretary of the Interior should direct the Assistant Secretary for Indian Affairs to revise Bureau policies, procedures, and practices to prohibit award of contract modifications without a request from the tribe and a corresponding increase in the work statement or in the amount of services to be provided. The Secretary of the Interior should direct the Assistant Secretary for Indian Affairs to revise Bureau policies, procedures, and practices to require tribes to submit appropriate financial and program progress reports. The Secretary of the Interior should direct the Assistant Secretary for Indian Affairs to revise Bureau policies, procedures, and practices to require tribes to develop adequate property management systems. The Secretary of the Interior should direct the Assistant Secretary for Indian Affairs to consider three possible alternative organizational structures for the Bureau. Also, the reorganization should include establishing full-time contract administrators that report directly to the contracting officer. The Secretary of Health and Human Services should direct the Administrator of the Health Services Administration to revise Indian Health Service policies, procedures, and practices as appropriate to require that all contract and grant agreements include specific criteria against which to measure performance. The Secretary of Health and Human Services should direct the Administrator of the Health Services Administration to revise Indian Health Service policies, procedures, and practices to terminate a contract or grant where tribal performance constitutes grounds for termination under the pertinent statute. The Secretary of Health and Human Services should direct the Administrator of the Health Services Administration to revise Indian Health Service policies, procedures, and practices to prohibit award of contracts in which the starting date precedes the date of award. The Secretary of Health and Human Services should direct the Administrator of the Health Services Administration to revise Indian Health Service policies, procedures, and practices to require tribes to develop adequate property management systems. The Secretary of Health and Human Services should direct the Administrator of the Health Services Administration to revise Indian Health Service policies, procedures, and practices to require tribes to submit appropriate financial and program progress reports.

Agency Comments/Action

The Department of the Interior generally agreed with the GAO findings and recommendations and has taken over planning to take a number of actions to deal with the identified problems.

Appropriations

Operation of Indian programs - Department of the Interior, Bureau of Indian Affairs

DEPARTMENT OF THE INTERIOR

BUREAU OF LAND MANAGEMENT

Oil and Gas Royalty Collections--Serious Financial Management Problems Need Congressional Attention (FGMSD-79-24, 4-13-79)

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (1101)
Legislative Authority: Accounting and Auditing Act of 1950 (31 U.S.C. 66a). Department of Energy Organization Act (91 Stat. 578). Mineral Leasing Act of 1920. 10 C.F.R. 212. 25 C.F.R. 171. 25 C.F.R. 172. 30 C.F.R. 225. 43 C.F.R. 3106. 30 U.S.C. 181. 30 U.S.C. 187. 30 U.S.C. 192. 30 U.S.C. 275. 43 U.S.C. 29.

A significant portion of domestically produced oil and natural gas comes from Federal and Indian lands leased to the private sector. During 1977, the Geological Survey collected about $1.2 billion in royalties on these lands from the oil and gas industry. Extensive congressional interest in Government debt collection procedures prompted a review of the system and related controls used by the agency in collecting these royalties.

Findings/Conclusions: Serious deficiencies in the way the Geological Survey maintained records of amounts due the Government under the leases resulted in losses of millions of dollars. Statements of lease accounts contained numerous errors and omissions. Failure to perform an adequate number of lease account reconciliations and audits meant that the agency had to rely on unverified data from the oil and gas industry to compute and collect royalties due. Lack of interest charge provisions resulted in delayed receipt of payments. Understaffing was a chronic condition. Many factors beyond the control of the agency contributed to the breakdown in the collection system.

Recommendations: For the short range, the Secretary of the Interior should require the Director of the Geological Survey to: inform field personnel of the need to determine the reasonableness of inventory and sales data shown on production reports, making accounting personnel aware of any discrepancies; include on lease account records codes identifying reasons for account adjustments on a lease; provide for and charge appropriate administrative fees and interest on delinquent accounts; and encourage companies with computer capabilities to provide direct tape input of report data. For the long range, the Director should: modify or redesign the collection system to reduce the volume of reports submitted by the industry for processing; consider lessee dependability and prior reporting and paying record in selecting accounts for reconciliation and audit; provide for cross-service audit agreements with the Department of Energy; and designate one office as responsible for establishing agencywide collection policies.

Agency Comments/Action

The Department of the Interior agreed with the report and is developing a completely new royalty collection system. This system is being reviewed and evaluated by agency officials. However, this system has not been fully developed and will not be implemented for some time. Until this system is effectively implemented, the Department of the Interior does not have adequate assurance that it is collecting all that is owed by the oil and gas industry. The Geological Survey is in the process of designing a new royalty management system. They do not expect the system to be fully implemented and operating until fiscal 1985.

Appropriations

Energy and minerals - Department of the Interior, Geological Survey

Appropriations Committee Issues

The Appropriations Committees should review the status of actions taken to modify or redesign the collection system.

DEPARTMENT OF THE INTERIOR

BUREAU OF LAND MANAGEMENT

Alternatives for Achieving Greater Equities in Federal Land Payment Programs (PAD-79-64, 9-25-79)

Budget Function: General Purpose Fiscal Assistance: General Revenue Sharing (0851)
Legislative Authority: P.L. 94-565.

A variety of land payment programs have evolved over the years to compensate States and counties for tax exemptions on Federal land within their jurisdiction. GAO reviewed programs in eight Western States where 80 percent of the Federal land payments are made and found many inequities and inconsistencies.

Findings/Conclusions: The basic aim of Congress in enacting these programs was to compensate States and counties for lost tax revenues and the economic burdens of tax-exempt Federal land. As laws were designed and implemented, most programs paid States and counties a percentage of the annual receipts generated from the public lands, rather than on the basis of equivalent taxes that would have been paid if the land were privately owned. Because the payment bears no relationship to tax equivalency, States and counties do not receive equitable payments. Many States and counties are overpaid compared to tax equivalency, while others receive little or no payment. The Public Land Law Commission recommended in 1970 that counties receive one payment rather than a number of payments under the various receipt-sharing programs. Congress decided not to repeal the Federal land payment programs. Nevertheless, some counties that already received more in land payments than they would have in taxes for the same land received an additional bonus. In revising Federal land payments laws, Congress may find it useful to consider alternatives to the type of receipt-sharing approach now used, such as fee-per-acre, other types of revenue sharing, fee for service, and tax equivalency.

Recommendations: To make corrections in past payments, the Bureau of Land Management should take steps to validate receipt-sharing deductions for fiscal year 1977 and 1978 payment computations to all States except for the eight States GAO reviewed. GAO has already given the Bureau correct data on those States. Congress should change the laws to require payments on a tax equivalency basis. If Congress decides to continue receipt-sharing payments and acreage payments under Public Law 94-565, it should take action to correct several weaknesses and amend the law so that: payments under the law are disassociated from receipt-sharing payments; or deductions for receipt-sharing payments are allocated to counties where receipts were earned; or deductions for receipt-sharing payments are allocated to counties based on population or some other allocation method.

Agency Comments/Action

GAO notified the Bureau of Land Management (BLM) of errors in the 1977 and 1978 public land payments. BLM recognized these errors and took action to correct underpayments totaling $12.6 million. BLM also acted to recover overpayments of more than $1 million. Adjustments represent a recurring savings because BLM has corrected its data base. In addition, the House passed a payments-in-lieu-of taxes appropriation for fiscal year 1981 which was $23 million below the 1980 appropriation. Of the $81 million appropriated, $400,000 was made available for administrative expenses so that BLM could comply with GAO recommendations to review and test the validity of certified State reports on funds passed through to local governments. The House Committee on Appropriations strongly recommended that the authorizing committee review this program and develop legislation that will address the issues raised in the report.

Appropriations

Payments in lieu of taxes - Department of the Interior, Bureau of Land Management

Appropriations Committee Issues

Funding for the payments in lieu of taxes (PILT) program for fiscal years 1981 and 1982 has been a subject of congressional interest. For fiscal year 1981, the executive branch recommended that the $108 million appropriated for this program be rescinded. Subsequently, Congress restored the $108 million to allow for full fiscal year 1981 PILT payments. Uncertainties regarding PILT future funding levels continue. In the March 1981 budget revisions for fiscal year 1982, the President's budget plan recommended budget authority for this program to be $45 million. That level of funding was contingent upon passage of new legislation revising the payment formula. The requested amendment of the program was to simplify procedures by which calculations are made, eliminate the need to rely on State reports for basic information, provide for a more equitable system for making payments to local governments, and assure that the payment formula nets out all revenue payments made to either State of local governments.

DEPARTMENT OF THE INTERIOR

BUREAU OF RECLAMATION

Impact Uncertain From Reorganization of the Water and Power Resources Service (CED-81-80, 4-29-81)

Budget Function: Natural Resources and Environment: Water Resources (0301)

The December 1979 reorganization of the Water and Power Resources Service (WPRS) decentralized some authority from the Service's Engineering and Research Center in Denver, Colorado to its seven regional offices. The Service had three major objectives for the reorganization: (1) to increase program accomplishment; (2) to improve contracting; and (3) to resolve the internal power struggle between the Engineering and Research Center and the regional offices. GAO reviewed a number of alleged adverse impacts concerning the reorganization and its possible effects on operations.

Findings/Conclusions: GAO found that the alleged adverse impacts were varied in that: (1) lines of authority were not blurred; (2) efficiency has decreased; (3) costs have increased; (4) safety and technical quality should not be compromised; (5) chaos and mass resignations did not occur; and (6) nonuniform contract administration did not occur. GAO cannot be certain whether the reorganization will accomplish the stated objectives because the Commissioner of the Service implemented the reorganization without identifying ways to measure its impacts.

Recommendations: The Secretary of the Interior should direct the Commissioner of the WPRS to (1) establish methods to measure the reorganization's effectiveness; and (2) reevaluate staffing needs and capabilities for contract administration and reassign responsibilities where needed.

Agency Comments/Action

Interior agreed with the recommendations and plans to establish methods to measure the reorganization's effectiveness as part of a broader effort to change the manner in which program accomplishment is determined. In addition, the Bureau of Reclamation's (formerly the Water and Power Resources Service) Permanent Management Committee reaffirmed plans to decrease staff in the Contract Administration Branch commensurate with the workload transferred to the regions.

Appropriations

General administrative expenses - Department of the Interior, Bureau of Reclamation

Appropriations Committee Issues

The Committees should monitor the progress being made in developing a method to measure Bureau program accomplishment.

DEPARTMENT OF THE INTERIOR

FISH AND WILDLIFE SERVICE

National Direction Required for Effective Management of America's Fish and Wildlife (CED-81-107, 8-24-81)

Budget Function: Natural Resources and Environment: Recreational Resources (0303)
Legislative Authority: Animal Damage Control Act of 1931 (7 U.S.C. 426 et seq.; 16 U.S.C. 703 et seq.; 16 U.S.C. 528 et seq.; 43 U.S.C. 1701 et seq.; 43 U.S.C. 1601 et seq.). Fish and Wildlife Coordination Act (16 U.S.C. 661 et seq.). Environmental Policy Act of 1969 (National) (42 U.S.C. 4321 et seq.). Water Pollution Control Act (33 U.S.C. 1251 et seq.). Estuarine Act (16 U.S.C. 1221 et seq.). Geothermal Steam Act of 1970 (30 U.S.C. 1001 et seq.). Marine Mammal Protection Act of 1972 (16 U.S.C. 1361 et seq.). Endangered Species Act of 1973 (16 U.S.C. 1531 et seq.). Alaska National Interest Lands Conservation Act of 1980 (P.L. 96-487; 16 U.S.C. 3101 et seq.; 94 Stat. 2371). Migratory Bird Treaty Act. Wildlife Refuge System Administration Act. White Act (Alaska Fisheries). Multiple-Use Sustained-Yield Act of 1960. Land Policy and Management Act. Alaska Native Claims Settlement Act. Surface Mining Control and Reclamation Act of 1977.

GAO conducted a review of specific Federal fish and wildlife programs to evaluate the overall effectiveness of Federal agencies' management of fish and wildlife resources and habitat to assure that development activities have the least possible adverse effect on fish and wildlife.
Findings/Conclusions: Several laws require Federal agencies to seek the advice of the Fish and Wildlife Service on planned activities that may affect fish and wildlife. However, the Service is able to respond to only about half of these requests because of lack of staff and funds. The Service has not established a priority system to identify and respond to those projects having the worst potential impact on fish and wildlife. Effective management of the National Wildlife Refuge System has been limited because the Service has not provided the needed guidance. The Service is also having problems managing the National Fish Hatchery System. It has not been able to establish and carry out national priorities for identifying which fish species to produce and which hatcheries to operate. Lack of direction and funding limitations contribute to this problem. For example, the National Wildlife Refuge and Fish Hatchery Systems have deteriorated to the point where there is a $650 million new development and rehabilitation backlog. The Service's current policy and attitudes stress conservation and protection of fish and wildlife, and this conflicts with the Animal Damage Control Act's original intent of predator control. The current program has not significantly reduced livestock losses caused by predators. Livestock insurance as an alternative was considered but was not feasible. Thus, managing the newly designated Alaskan Federal lands presents a challenge between conservation and development interests.
Recommendations: The Secretary of the Interior should review the Fish and Wildlife Service's operations to determine whether its new priority system is effective in identifying those projects that have the greatest potential adverse impact on fish and wildlife. The Secretary of the Interior should establish policies, objectives, and guidance for an effective fish and wildlife research program. As part of this effort, the Secretary should consolidate the Fish and Wildlife Service's two research programs into one organizational unit. The Secretary of the Interior should direct the Assistant Secretary for Fish and Wildlife and Parks to update the Fish and Wildlife Service's Wildlife Refuge Manual and flyway management plans. The Secretary of the Interior should direct the Assistant Secretary for Fish and Wildlife and Parks to establish priorities on the types of refuges and hatcheries that should be developed, operated, and maintained. The Secretary of the Interior should direct the Assistant Secretary for Fish and Wildlife and Parks to determine which marginal refuges and hatcheries could be eliminated, propose a plan to the Senate and House Appropriations Committees setting forth the reasons why they should be discontinued, and seek approval from the Committees to close them. The Secretary of the Interior should direct the Assistant Secretary for Fish and Wildlife and Parks to review the condition of refuges and hatcheries and establish priorities for a rehabilitation program. Should the Animal Damage Control Program remain in Interior, the Secretary of the Interior should direct the Assistant Secretary for Fish and Wildlife and Parks to develop and propose to Congress amendments to the Animal Damage Control Act of 1931 that reflect the current objectives of the Animal Damage Control Program to bring predators under control, rather than to eradicate, suppress, and destroy them. Should the Animal Damage Control Program remain in Interior, the Secretary of the Interior should direct the Assistant Secretary for Fish and Wildlife and Parks to determine whether the control program should: (1) be continued as is, or be modified to increase effectiveness; and (2) more fully explore alternatives such as livestock insurance to determine if they are viable. The Secretaries of Agriculture and the Interior should direct the Bureau of Land Management, the Park Service, and the Forest Service to give greater emphasis to conserving and managing fish and wildlife. The Secretaries of Agriculture and the Interior should enter into a cooperative agreement which will give the Fish and Wildlife Service the authority to decide how animals should be managed by other agencies in those instances where wildlife species migrate across the boundaries and are being managed by more than one Federal agency. Such an agreement should also include the States where appropriate.

Appropriations

Fish and wildlife management - Department of the Interior, Fish and Wildlife Service

Appropriations Committee Issues

The Committees should determine if the new Fish and Wildlife Service's priority system is effective in identifying projects that have the greatest potential adverse impact on fish and wildlife.

DEPARTMENT OF THE INTERIOR

NATIONAL PARK SERVICE

Better Management of National Park Concessions Can Improve Services Provided to the Public (CED-80-102, 7-31-80)

Budget Function: Natural Resources and Environment: Recreational Resources (0303)
Legislative Authority: 16 U.S.C. 1. 16 U.S.C. 20.

Lodging, food, transportation, and other services are provided to visitors to national parks by concession operators. The Park Service has allowed concessioners to operate facilities with major safety deficiencies and has not taken adequate steps to make sure that deficiencies were corrected. Evaluations and followup inspections of concessioner performance are not made as required. Without inspections, the Park Service cannot be certain that visitors are receiving satisfactory service and does not have a firm basis for assigning concessioners an annual performance rating. The annual rating is used as a basis for determining if concessioners should be allowed to continue operating. The Park Service has developed a comprehensive system to determine whether rates charged the public for the use of park facilities are fair and reasonable, but the system has not been implemented nationwide. The prescribed procedures do not cover all concessioner services, and the quality of facilities and services may not be adequately considered during the rate approval process. Legislation requires that rates charged the public for concession services be comparable to those charged for similar facilities and services outside the park. The Park Service does not always ensure that rates are fair and reasonable. They have established a task force to resolve problems with the new rate approval system. Franchise fees are paid by concessioners for the privileges granted under their contracts. The Park Service has not established the proper criteria to ensure that the rates are proper. Personnel lack the financial backgrounds needed to set rates effectively. Concessioners that no longer want to provide the services authorized by their contracts are permitted to transfer their operations to other qualified parties. The concessioner determines who is qualified to operate the facility or service and it is difficult for the Park Service to turn down the transfer. The only remedy the Park Service has for controlling the quality of service of the concessioners is often terminating the contract and purchasing the possessory interest, a time consuming and expensive procedure. Granting preferential rights to concessioners for contract renewal and for providing new and additional services eliminates or discourages competition and the buildup of large possessory interests.

Findings/Conclusions: Concessioner performance evaluation would be more effective if visitors' opinions and comments were used in appraising concessioner performance. Existing concessioners already have a competitive advantage over others who want to operate in the parks, so they do not need additional legal advantages. By using single concessioners to provide the services in a park, the Park Service has limited its options for requiring improvement without serously disrupting service to the public. As a result, the Park Service does not take necessary corrective actions. Concession rates are not always studied, justified, or documented before approval; and the quality of facilities is given little or no consideration in approving the rates.

Recommendations: The Secretary of the Interior should require the National Park Service (NPS) Director to take action to ensure that: park visitors and concession employees are adequately protected against health and safety deficiencies at concession operations; and all required health and safety inspections are conducted in a timely manner and that followups are made to assure that deficiencies have been corrected. If these measures do not improve conditions, the concessioner's contract or permit should be terminated. NPS safety personnel should receive the training necessary to identify safety deficiencies and a qualified sanitarian should be available to conduct required health inspections. The NPS Director should be required to develop and implement procedures to obtain visitor comments and opinions on the quality of concession facilities and services to be used in determining if concessioners are performing satisfactorily. He should assure that evaluation inspections and followups are carried out and provide additional staff where necessary, developing a training program to implement the Concessioner Evaluation Program. The NPS Director should expand the responsibilities of the task force established to develop alternatives to resolve the problems which were identified with the concessioner comparability study procedures. He should provide adequate training to personnel responsible for implementing concessioner rate approval procedures. The Director should develop a new franchise fee rate system that reflects the value of privileges granted under concession contracts, develop criteria and procedures to help concessions management staff make appropriate adjustments to franchise fee rates, and supply the field staff with individuals that have the financial background and experience needed to set equitable franchise fee rates. He should emphasize the need to adequately document action taken on requests for convention and group use of concession facilities, assure that the field offices follow environmental guidelines, and establish a firm policy to permit concessioners to participate in NPS planning processes only during the public participation phase. Congress should finance construction of needed facilities to accommodate park visitors whenever possible. Congress should amend the Concessions Policy Act to allow possessory interest only in those instances where no other alternative is available and then only if possessory interest is valued by the Government at no more than the original cost to construct or improve the facility less amortization over a period no longer than the estimated useful life of the facility or the term of the contract, whichever is shorter; or if the contract is terminated by the National Park Service or the concessioner and the facility has not been fully amortized: (1) satisfactory concessioners should be permitted to sell their possessory interest to third parties at the best price obtainable, provided the operation is to be continued, however, the original cost should continue to be amortized and at the end of the amortization period the possessory interest would be extinguished and the Government would have total ownership; and (2) unsatisfactory concessioners should be required to sell their remaining possessory interest to the Goverment at no more than its unamortized value. It should also amend the Act to eliminate the right of preference for contract renewal.

Agency Comments/Action

In June 1981, the Secretary of the Interior announced a series of initiatives designed to help improve visitor services in national parks, with emphasis on concession operations. The proposals included the need for longer concession contracts where larger investments are needed to upgrade services.

Appropriations

Operation and maintenance - National Park Service

Appropriations Committee Issues

The Committees should determine whether the Federal Government should fund future construction facilities operated by park concessioners.

BEST DOCUMENT AVAILABLE

DEPARTMENT OF THE INTERIOR

NATIONAL PARK SERVICE

Lands in the Lake Chelan National Recreation Area Should Be Returned to Private Ownership (CED-81-10, 1-22-81)

Budget Function: Natural Resources and Environment: Conservation and Land Management (0302)
Legislative Authority: Land and Water Conservation Fund Act of 1965. P.L. 90-544. H. Rept. 90-1870. S. Rept. 90-700.

GAO was requested to examine the land acquisition and management practices of the National Park Service at Lake Chelan National Recreation Area. Through the law which established this area, it was congressional intent that land acquisition costs be minimal, that a private community in the recreation area continue to exist, that commercial development not be eliminated, and that additional compatible development be permitted to accommodate increased visitor use.

Findings/Conclusions: The National Park Service has not acted in accordance with congressional intent. The Service has spent millions of dollars to acquire over half of the privately owned land in the recreation area. Moreover, the Service plans to acquire most of the area's remaining privately owned land. These additional land acquisitions are planned without a clear definition of the uses that are incompatible with the enabling legislation. The acquisitions are based on the premise that the Service must acquire the major areas subject to subdivision to prevent a prospective boom in recreational homesites. The Service has also prohibited new private commercial development to increase lodging accommodations and to provide needed restaurant and grocery services for both residents and visitors.

Recommendations: Congress should exempt land acquired pursuant to Public Law 90-544 from the 2-year limitation in 16 U.S.C. 4601-22(a). This would give the last owner(s) the right to match the highest bid price and reacquire property sold to the National Park Service. Congress should not increase the statutory land acquisition appropriation ceiling for the North Cascades National Park and the Ross Lake and Lake Chelan National Recreation Area above the $4.5 million already approved until the Service has defined compatible and incompatible development, prepared a land acquisition plan justifying the need to acquire land from private owners, and spent the funds obtained from selling all compatible land back to private individuals. The Senate Committee on Energy and Natural Resources and the House Committee on Interior and Insular Affairs should hold oversight hearings to determine why the National Park Service has not carried out the Congress' intent at the Lake Chelan National Recreation Area. The Secretary of the Department of the Interior should require the Director of the National Park Service to sell back to the highest bidder, including previous owners or other private individuals, all lands compatible with the recreation area. This would include the modest homes, the lodges, and the restaurant. The Service could attach scenic or developmental restrictions to the deeds before the properties are resold to assure that their use will be consistent with the enabling legislation. The proceeds would be credited to the Land and Water Conservation Fund in the U.S. Treasury. Funds obtained in this manner would then be available for future acquisitions if an incompatible use is identified, subject to the $4.5 million appropriation ceiling on total acquisitions under Public Law 90-544. The Secretary of the Interior should require the Director of the National Park Service, to develop a land acquisition plan for the Lake Chelan National Recreation Area consistent with the Service's April 26, 1979, land acquisition policy. The plan should define compatible and incompatible uses based on the legislative history; clarify the criteria for condemnation; identify the reasons for fee simple acquisition versus alternative land protection and management strategies, such as scenic easements and zoning; address recreational development plans for the area; and establish acquisition priorities. The plan should apply to both private and Service actions.

Appropriations

Conservation and land management - Department of the Interior, National Park Service

Appropriations Committee Issues

The Committees should determine whether Federal land acquisition is inconsistent with congressional intent.

DEPARTMENT OF THE INTERIOR

NATIONAL PARK SERVICE

Establishing Development Ceilings for All National Park Service Units (AFMD-81-31, 4-10-81)

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (1101)

GAO interviewed program, planning, and budget officials at the National Park Service to examine Park Service records relating to development ceilings and to compare those records with the legislation cited to ascertain if development ceilings had been exceeded. GAO tried to determine if development ceilings were controlling the development costs of Park Service units. A development ceiling is the total authorization available for development of a particular park unit.

Findings/Conclusions: Development ceilings have not been an effective tool for Congress to use in controlling costs because: (1) ceilings have not been established for most parks; (2) where ceilings have been established, recordkeeping is inadequate to readily ascertain if ceilings are exceeded; (3) ceilings do not have estimated completion dates; and (4) there is uncertainty about which expenses are covered by ceilings. Appropriations have surpassed authorized limits in two cases; however, neither case constitutes a legal violation because lawful appropriations were passed allowing authorized limits to be exceeded. GAO found 36 errors in recording the remaining 136 development ceilings. Such recording errors raise the possibility that other ceilings may have been exceeded without the records indicating it. From a previous review, GAO knows of inconsistencies in identifying expenditures to be charged against development ceilings.

Recommendations: If Congress wishes to continue to use ceilings, it should establish them for all units, review them on a cyclical basis, and require proper accounting procedures to make them effective in controlling development costs. Congress could eliminate development ceilings altogether, but this would diminish the control that authorizing committees now exercise. If ceilings are to be continued, the Park Service and Congress should agree upon precise definitions of the type of expenditures to be charged against the ceilings.

Agency Comments/Action

The Park Service contends that the ceilings have not proven useful and that they impose additional work in establishing cost estimates and monitoring remaining balances. According to the Park Service, each development unit should be judged on its own merits and not against a ceiling established when circumstances may have been different.

Appropriations

Planning and construction - Department of the Interior, National Park Service

Appropriations Committee Issues

The Committees should consult with the House Committee on Interior and Insular Affairs, Subcommittee on Public Lands and National Parks, to review the use of development ceilings and coordinate appropriations and ceilings for park units.

BEST DOCUMENT AVAILABLE

DEPARTMENT OF THE INTERIOR

NATIONAL PARK SERVICE

Need To Reexamine the Federal Role in Planning, Selecting, and Funding State and Local Parks (CED-81-32, 4-22-81)

Budget Function: Natural Resources and Environment: Recreational Resources (0303)
Legislative Authority: Land and Water Conservation Fund Act of 1965 (P.L. 88-578; 78 Stat. 897). Comprehensive Employment and Training Act of 1973. (P.L. 88-29; 77 Stat. 49).

GAO assessed how well the Heritage Conservation and Recreation Service (HCRS) has administered the share of a fund established under the Land and Water Conservation Fund Act of 1965 which was spent for State and local outdoor recreation to evaluate the basis for making grants from the fund and to provide recommendations to help guide future public funding of park and recreational land facilities.

Findings/Conclusions: Under the Act, these plans must establish a framework for identifying recreational demands and needs and provide a basis for funding projects. Improvements are needed in State planning methods and in project selection, approval, and funding. HCRS and States also need to develop methods to evaluate the effectiveness of projects financed through the fund as a basis for subsequent planning. Many grantees are becoming increasingly dependent on other Federal programs to help finance their share of the park and outdoor recreation facilities financed through the fund. Many State and local governments continue to request acquisition and development grants even though they are having difficulty operating and maintaining their existing park systems. The present trend of increased reliance on Federal support for operation and maintenance funds to help satisfy the Act's matching requirements could lead to the Federal Government's providing most of the funds for State and local government park systems. GAO believes that this Federal financial commitment was not intended under the Act. GAO agrees with the proposed budget cuts, because eliminating the State share would enable States to use funds earmarked for land acquisition and development for the operation and maintenance of existing systems.

Recommendations: Congress should authorize the Secretary to waive all or part of the required match for fiscally stressed grantees. Congress should review the Land and Water Conservation Fund Act's matching requirement and the Act's corollary restriction against using Federal funding sources to satisfy the match. Congress should decide whether the matching requirement should be eliminated or modified so that the match must be satisfied by State or local origin funds and resources, exclusive of funds available under other Federal grant-in-aid programs. Congress should amend the Land and Water Conservation Fund Act to provide the Secretary with explicit authority to discontinue funding projects in whole or in part in States where it is determined that existing projects are not adequately operated and maintained. Congress should accept the President's proposed elimination of funding to States for recreation projects from the Land and Water Conservation Fund because States are becoming dependent on Federal funding sources for planning, acquiring, developing, operating, and maintaining their outdoor recreation facilities. The Secretary of the Interior should clarify and provide guidance to States on how the new project selection guidelines should be developed and implemented. The Secretary of the Interior should monitor State plan implementation to assure that the awarding of grants is directly linked to the planning process. The Secretary of the Interior should monitor the States to ensure compliance with the statutory requirements for disclosing the amount and sources of Federal funds. The Secretary of the Interior should withhold States' eligibility to participate in the fund program during periods when plans do not meet applicable requirements, as determined under criteria established by the Secretary. The Secretary of the Interior should develop uniform criteria for monitoring the flow of all Federal funds to State and local governments, including a cross-referencing index system to identify the various Federal sources and amounts going to each project. The Secretary of the Interior should encourage State and local governments to budget the entire life-cycle costs of proposed projects showing the Federal contribution and the State or local government total obligation for the estimated useful life of the project. The Secretary of the Interior should also encourage States to collect user fees whenever practicable to lessen the burden of operation and maintenance costs on local tax revenues and Federal programs. The Secretary of the Interior should require States to prepare comprehensive outdoor recreation plans that identify and rank the recreational needs of the State and establish project funding priorities.

Appropriations

Recreation programs - Department of the Interior, National Park Service
Acquisition and development assistance to States for parks and recreation facilities

Appropriations Committee Issues

The Committees should consider National Park Service acquisition and development grants to States.

DEPARTMENT OF THE INTERIOR

NATIONAL PARK SERVICE

The National Park Service Should Improve Its Land Acquisition and Management at the Fire Island National Seashore

(CED-81-78, 5-8-81)

Budget Function: Natural Resources and Environment: Conservation and Land Management (0302)
Legislative Authority: Land and Water Conservation Fund Act of 1965. Fire Island National Seashore Act (P.L. 88-587). Wild and Scenic Rivers Act. 36 C.F.R. 28.4(c)(1)(i).

The National Park Service's zoning standards at Fire Island National Seashore are more restrictive than necessary to meet the requirements of Federal regulations, and the Park Service is unnecessarily acquiring private lands at Fire Island. GAO was requested to review these issues.

Findings/Conclusions: The Park Service issued zoning standards for Fire Island in September 1980 that were to be followed by local communities. The applicable regulations protect property owners in existing developed communities from the threat of condemnation and undue intervention by the Federal Government. The Park Service's zoning standards are particularly restrictive for homes that have to be rebuilt after being damaged or destroyed by a catastrophe. In addition, the Park Service's zoning standards restrict some property owners from increasing the size of their homes. GAO believes that the applicable regulations permit these property owners to increase the size of their homes. The Park Service acquired a number of properties on which the owners had built at variance with the local community's zoning ordinances. Many of these variances do not appear to harm Fire Island's natural resources. The applicable regulation allows, but does not require, the Park Service to condemn properties with variances. However, the Park Service routinely objects to almost all variances granted by the local communities apparently to be in a position to condemn the properties when funding is available. Park Service letters to a Senate committee requesting authority to take Fire Island properties do not specify the reasons for acquisition. The draft land plan for Fire Island is inconsistent with the Park Service's land acquisition policy.

Recommendations: Congress should exempt land acquired from the 2-year limitation stipulated in the Land and Water Conservation Fund Act, as amended. The purpose of this recommendation was to give the last owner(s) in the recreation area the right to match the highest bid price and require property sold to the National Park Service. The Secretary of the Interior should require the Director of the National Park Service to stop routinely objecting to variances, unless the Park Service specifically shows why the variances would harm Fire Island's natural resources, and revise the zoning standards accordingly. The Secretary of the Interior should require the Director of the National Park Service to explain in its letters to the Senate Committee on Energy and Natural Resources requesting declarations of taking specifically why variances would adversely affect Fire Island's natural resources. The Secretary of the Interior should require the Director of the National Park Service to revise the Fire Island acquisition plan to state (1) more specifically the circumstances under which properties will be acquired; and (2) that all properties will not be acquired just because they were rebuilt at variance with a local ordinance. The Secretary of the Interior should require the Director of the National Park Service to sell to the highest bidder all acquired lands in exempt communities that are compatible with the purposes of Fire Island. The previous owner should be offered first opportunity to reacquire the property at the highest bid price unless the Park Service can demonstrate that the last owner's use of the property adversely affected Fire Island's natural resources. The Park Service could attach scenic or developmental restrictions to the deeds before selling the properties to assure that their use will be consistent with the enabling legislation. The Secretary of the Interior should direct the Director of the National Park Service to revise the Fire Island zoning standards to make it clear that homes rebuilt or improved in accordance with approved variances to local zoning ordinances will not be subject to condemnation unless the variances adversely affect Fire Island's natural resources.

Agency Comments/Action

Interior indicated it is: (1) developing new guidelines for protecting and acquiring interests in land; (2) considering ways to reduce objections to minimizing variances; (3) planning to explain specifically why variances would adversely affect Fire Island's natural resources when requesting declaraton of rating authority; and (4) studying a possible sellback program for application for Fire Island and other areas of the national park system.

Appropriations

Conservation and land management - Department of the Interior, National Park Service

Appropriations Committee Issues

The Committees should consider land acquisition and management practices.

BEST DOCUMENT AVAILABLE

DEPARTMENT OF THE INTERIOR

NATIONAL PARK SERVICE

Federal Land Acquisition and Management Practices
(CED-81-135, 9-11-81)

Budget Function: Natural Resources and Environment: Conservation and Land Management (0302)
Legislative Authority: Declaration of Taking Act (Eminent Domain) (40 U.S.C. 258a). Land and Water Conservation Fund Act of 1965. P.L. 91-479. P.L. 95-625. P.L. 95-290. P.L. 95-344. P.L. 90-544. P.L. 88-587. P.L. 90-209. 92 Stat. 290. 92 Stat. 3534. 92 Stat. 3051. 92 Stat. 474.

Pursuant to a congressional request, GAO addressed the following specific areas: (1) what a study of the land management and acquisition practices of the National Park Service at a few selected sites which are representative of different types of Federal lands would show; (2) what the interrelationships of the National Park Service and Fish and Wildlife Service with the nonprofit organizations' increased role in the acquisition of lands are; (3) whether Federal land acquisition through donation directly to the Government would cost the public more than donations through nonprofit organizations; and (4) whether the National Park Sevice's purchase of 195,000 acres of land shown by Park Service records as being acquired outside park boundaries was in compliance with the laws and intent of Congress and whether there was any relationship of this acquisition to boundary alterations by the Secretary of the Interior. Additionally, GAO reviewed authorizing legislation for 11 of the 323 areas in the Park Service's system.

Findings/Conclusions: In 1979, the Park Service revised its land acquisition policy to give greater consideration to protecting areas through the use of easements, zoning, and cooperative agreements with State and local governments. An analysis of plans from 33 park areas showed that 21 plans discussed alternate land protection methods and that 13 did not address or adequately justify the reasons for fee simple acquisition of property. Land acquisition officers in six areas stated that the policy has had no effect on their land acquisition programs. While nonprofit organizations play a unique and significant role in land acquisition, Federal agencies have no written policies or procedures to guide them as to when it is appropriate to use a nonprofit organization, what the working relationship should be between the agencies and the organizations, or what the proper amount of compensation for purchasing the land should be. These organizations use the tax laws and their nonprofit status to acquire land at a savings to the Government by successfully obtaining donations and bargain sales. However, these savings are not as great if the tax revenue lost as a result of the charitable deduction and capital gains reduction is considered part of the total cost to the Government. GAO determined that about 6,000 acres of Park Service land were outside the boundaries but that the Park Service records are inadequate and incomplete. It did not appear that land outside park area boundaries was acquired contrary to the authorizing legislation or the intent of Congress.

Recommendations: The Secretary of the Interior should direct the Director of the National Park Service to require park superintendents to more aggressively use alternatives to fee simple acquisition, such as zoning and easements to protect areas. The Secretary of the Interior should direct the Director of the National Park Service to develop specific criteria to be used in determining which properties should be purchased because of economic hardships to landowners or acquired in fee simple because of the high cost of easements. The Secretary of the Interior should direct the Director of the National Park Service to determine for each area in the National Park System which properties are compatible with the purposes of the area and not subject to acquisition and include this information in land acquisition plans. The Secretary of the Interior should direct the Director of the National Park Service to leave pastoral and historic settings in private ownership, as intended by Congress, for specific areas by using easements or other methods. The Secretary of the Interior should direct the Director of the National Park Service to reevaluate all units currently being used for employees' housing and discontinue all housing rentals not in accordance with Interior's Departmental Handbook. The Secretary of the Interior should direct the Director of the National Park Service to accurately determine how much land, especially for Badlands National Park, the Park Service has currently outside its parks' boundaries. The Secretaries of Agriculture and the Interior should jointly establish policies and guidelines on the use of nonprofit organizations in acquiring land. The policy should provide guidance to the agencies on when to use nonprofit organizations, what the working relationship should be between Federal agencies and these organizations, and what unique land acquisition procedures might be appropriate. The Secretary of the Interior should direct the Director of the National Park Service to promptly dispose of all unneeded land outside authorized boundaries to the General Services Administration.

Agency Comments/Action

In general, the Departments of Agriculture and the Interior and nonprofit organizations did not disagree with the GAO conclusions. However, there seemed to be some concern by most of them regarding the GAO recommendation that Federal agencies should have written policies or procedures to guide them in their working relationships with nonprofit organizations. GAO made modifications to the report based on the comments received but did not change its recommendation. The Department of the Interior's comments were primarily directed toward the GAO recommendations. In general, the Department agreed with the recommendations and has already taken or plans to take action to address most of them.

Appropriations

Land and Water Conservation Fund - Department of the Interior, Assistant Secretary for Fish and Wildlife and Parks

Appropriations Committee Issues

The Committees should consider whether Congress should limit or terminate, for the immediate future, further Federal land acquisitions, and instead, use funds from the Land and Water Conservation Fund for the purpose of restoring the National Park System as proposed by the President.

DEPARTMENT OF THE INTERIOR

WATER AND POWER RESOURCES SERVICE

Water Supply Should Not Be an Obstacle To Meeting Energy Development Goals (CED-80-30, 1-24-80)

Budget Function: Natural Resources and Environment: Water Resources (0301)
Legislative Authority: National Environmental Policy Act of 1969. Federal Water Pollution Control Act Amendments of 1972. Environmental Defense Fund, Inc. v. Morton, 420 F. Supp. 1037 (D. Mont. 1976). Environmental Defense Fund, Inc. v. Andrus, 596 F.2d 848 (9th Cir. 1979).

Alternative energy technologies, such as oil shale development, coal gasification, geothermal power generation, coal liquifaction, and coal slurry lines were heralded as key contributors to the Nation's energy independence and were expected to consume lots of water. Consequently, many reports predicted that the Nation's quest for energy and mineral independence will stimulate a prolonged thirst for water and will virtually exhaust all unused water in the mineral-rich, water-short West. However, recent evidence indicates that these predictions are unfounded or outdated and that adequate water is available for energy development through at least the year 2000.

Findings/Conclusions: Slower growth of energy use and increased reuse of water have reduced the need to divert water from other uses. New production techniques and experience have demonstrated that individual plant requirements are as much as 50 percent less than anticipated. Demand for Federal project water by energy developers has fallen off, leaving reservoirs with undelivered and apparently unwanted water. Uncertainties exist about the extent of energy development, the future of reclamation projects, environmental requirements, reserved water, and project development delays. However, these uncertainties only limit the number of sites where development can occur. Since water requirements are modest and water supplies are large and scattered, water supply problems in one location will result in new site selection. One new technology, transportation of coal through slurry pipelines, offers the promise of actually decreasing water consumption in water-short areas. The most common sources for additional water for energy development probably will be development of new storage facilities, procurement of water rights, or procurement of water stored in Federal reservoirs. Federal reservoirs could provide much of the supply needed for development and that would mean additional revenue which would speed repayment of Federal costs for building the projects without the environmental, social, and political problems implicit in new construction.

Recommendations: The Secretary of the Interior should: direct the Bureau of Reclamation to immediately begin preparation of environmental impact statements for the two Yellowstone Basin reservoirs; require similar environmental impact statements for other reservoirs whose marketing programs are threatened; update, improve, and establish unit water consumption estimates based upon more recent analyses of water requirements; and update and improve energy production estimates for electricity and synthetic fuels.

Agency Comments/Action

The Water and Power Resources Service concurred with each recommendation in the report. The Service has initiated environmental impact statements for the Yellowtail and Boysen reservoirs.

Appropriations

Operations and maintenance - Department of the Interior, Water and Power Resources Service

Appropriations Committee Issues

The Committees should assure that the Water and Power Resources Service has implemented the recommendations of this report.

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DEPARTMENT OF THE INTERIOR

WATER AND POWER RESOURCES SERVICE

Selected Water Sales Contracts
(CED-80-69, 3-25-80)

Budget Function: Natural Resources and Environment: Water Resources (0301)
Legislative Authority: Fryingpan-Arkansas Project Act.

A review was conducted of the adequacy of western water supplies to support energy and mineral development. Water marketing practices were briefly analyzed on selected water sales contracts. These contracts are administered by the Water and Power Resources Service and are short-term contracts. In an effort to recover a portion of the project costs associated with the water sales contracts, Resources Service project authorizations require that project users reimburse the U.S. Treasury for costs associated with certain uses such as irrigation, municipal and industrial water, or power. Most of the other project costs are classified as nonreimbursable and are financed from the U.S. Treasury.

Findings/Conclusions: In each of the three contracts reviewed, the Resources Service charged water rates that were too low to guarantee expeditious Federal cost recovery. Unfortunately, when water intermediaries or users do not pay an appropriate share of Federal project costs, others must make up the difference. Since the water consumers had already paid higher prices than the Resources Service charged, higher Federal rates would probably have had little, if any, impact on them. Low rates were not justified when the Resources Service had the authority to base the sales price of municipal and industrial water on the local market price of that water as established by comparison with other water sales or the subsequent resale of the Federal project water. Thus there was a need for additional monitoring of water marketing policies to assure adequate water prices, project repayment, and regional and project consistency.

Recommendations: The Secretary of the Interior should require the Commissioner, Water and Power Resources Service, to: (1) set water prices at an amount that will at least recover all reimbursable costs when additional contracts for Fontenelle water are issued; (2) include in the Fryingpan-Arkansas contract a requirement that some revenue from the sale of return flows be repaid to the U.S. Treasury; and (3) use prices that recognize the current value of water when new North Platte River municipal and industrial water contracts are issued.

Agency Comments/Action

The agency disagreed with the recommendation that water prices be set at an amount that will at least cover all reimbursable costs when additional contracts for Fontenelle water are issued. It states that reclamation already requires that all reimbursable costs be covered and that it is complying with the law. It stated that it will have to look at the legal implications before addressing the second recommendation to include in the Fryingpan-Arkansas contract a requirement that some revenue from the sale of return flows be repaid to the U.S. Treasury. Further, it implemented the third recommendation to use prices that recognize the current value of water when it renegotiated the Glendo Reservoir contract.

Appropriations

Construction - Department of the Interior, Water and Power Resources Service

Appropriations Committee Issues

Because of the substantial reimbursement to the Federal Treasury, the Committee should see that the GAO recommendations are carried out.

DEPARTMENT OF THE INTERIOR

WATER RESOURCES COUNCIL

River Basin Commissions Have Been Helpful, but Changes Are Needed (CED-81-69, 5-28-81)

Budget Function: Natural Resources and Environment: Water Resources (0301)
Legislative Authority: Water Resources Planning Act (P.L. 89-80). P.L. 95-502.

River basin planning should match the needs of water users with the amount of water available irrespective of State boundaries or Federal agency responsibilities. A review was made to determine how successful river basin commissions have been in meeting their legislative objectives of planning and coordinating water resource development.

Findings/Conclusions: The river basin commissions, as they are now operating, do not accomplish optimum planning. While the commissions have provided a forum for Federal and State members to exchange views and have assisted States in various water studies, they have fallen short of meeting some of their legislative objectives. Legislative changes are needed to ensure continued State participation and regional water resources planning input into Federal agencies' budget submissions. Commissions have not become the principal coordinators of water resource projects as intended, and Federal and State members who make up the six river basin commissions do not use their collective authority to carry out commission objectives. Commissions agree that authority is lacking, and Federal and State water plans and programs continue to be prepared independently of commission influence. GAO believes that river basin commissions have the opportunity to be more successful in planning and coordinating water development. However, changes are needed to: (1) provide broad water resource planning input and ensure continued State participation; and (2) encourage more participation in resolving regional and national water resource problems.

Recommendations: Congress should amend title III of the Water Resources Planning Act to require State membership in river basin commissions or other regional planning arrangements prior to authorization of title III funds. Congress should amend title II of the Water Resources Planning Act to require information regarding priorities established by river basin commissions or other regional planning arrangements be included in the appropriate Federal agencies' annual budget submissions to Congress. Such information should (1) include a comparison of the relative priority of each project with all other water projects within the commission's or other regional arrangement's jurisdiction; and (2) be required before major Federal water projects are authorized.

Agency Comments/Action

Most agencies generally agreed with the overall assessment of river basin commissions and supported the recommendations. Interior, however, disagreed with the assessment stating that the commissions do not perform any function or provide a service that the States could not do themselves.

Appropriations

Federal funds - Water Resources Council

Appropriations Committee Issues

If Congress decides to continue funding river basin commissions, the recommended legislative changes should be made.

DEPARTMENT OF THE TREASURY

Electronic Funds Transfer--Its Potential for Improving Cash Management in Government (FGMSD-80-80, 9-19-80)

Budget Function: Automatic Data Processing (1001)
Legislative Authority: P.L. 95-147.

Electronic funds transfer (EFT) technology is being increasingly used in government and industry to replace checks for sending and receiving money. The use of EFT in the Federal Government is expected to increase the Government's opportunities for realizing interest savings. Funds which flow faster into the Treasury's interest-earning tax and loan accounts at banks and other financial depositories begin earning interest sooner. In addition, funds which flow faster into the Treasury's accounts at the Federal Reserve can also begin earning income sooner.

Findings/Conclusions: However, EFT has only limited ability to affect borrowing decisions. Although it can make funds available a few days earlier, borrowing decisions are generally insensitive to short-term changes in the timing of receipts. The overriding consideration in the Treasury's borrowing decisions is debt management, not cash management. Faster EFT receipts, though, can sometimes reduce the amount borrowed. This can occur when the aggregate of such receipts effectively raises the monthly low points of the Treasury's projected cash balances. To avoid a shortage of cash, borrowing decisions tend to focus on these low points, which normally occur around midmonth and are created by the timing differences in Government disbursements and receipts. For EFT to have a more positive influence on borrowing decisions, the faster flow must be tied into the forecasting process. EFT can give the Treasury greater accuracy in forecasting its daily cash balances because it eliminates the timing uncertainties in the mailing, cashing, and clearing of checks. Recurring EFT payments and receipts can provide more reliable data for estimating the future effect of these transactions on the daily cash balances.

Recommendations: The Secretary of the Treasury should ask all Federal agencies to report to the Treasury the amounts and timing of large receipts and payments to be made by EFT as soon as they know when such transactions will be made, preferably at least 10 days in advance.

Agency Comments/Action

Treasury concurs with the recommendation and is exploring ways to implement it. In September 1980, Treasury issued a regulation requiring agencies to notify Treasury of all large EFT disbursements prior to payment date. Treasury is still considering a similar requirement for large EFT receipts.

Appropriations

Fiscal operations - Department of the Treasury

Appropriations Committee Issues

In view of the potential cash management improvements available through the use of EFT, the Committees may want to inquire about the Treasury's efforts to: (1) get Federal agencies to use EFT for various receipts; and (2) require them to give the Treasury advance notice of such receipts.

DEPARTMENT OF THE TREASURY

BUREAU OF ALCOHOL, TOBACCO AND FIREARMS

Occupational Taxes on the Alcohol Industry Are Not Being Adequately Enforced, but Repeal Appears Preferable to Additional Enforcement

(GGD-75-111, 1-16-76)

Budget Function: Central Fiscal Operations (0803)
Legislative Authority: Federal Alcohol Administration Act (26 U.S.C. 5146).

Alcoholic beverage occupational taxes collected in fiscal year 1975 amounted to $21.5 million.

Findings/Conclusions: Taxpayer compliance with the alcohol-related occupational tax has dropped below acceptable levels and enforcement by the Bureau of Alcohol, Tobacco and Firearms is inadequate. Although additional manpower in this area would undoubtedly increase both revenue and compliance, repeal of the occupational taxes appears preferable to increased enforcement.

Recommendations: Congress should repeal all occupational taxes in section 5081 through 5148 of the Internal Revenue Code on retail and wholesale dealers in distilled spirits, wines, and beer; manufacturers of nonbeverage alcoholic products; brewers; manufacturers of stills; and rectifiers. Congress should also amend the Federal Alcohol Administration Act to clarify the authority of the Bureau of Alcohol, Tobacco and Firearms to investigate possible consumer and/or unfair trade practice violations of the Act prior to a permit hearing.

Agency Comments/Action

The Treasury Department is opposed to the repeal of the occupational tax authority. Further, in its reply to the Office of Management and Budget on the report, the Department stated that the GAO report raised a broad issue concerning whether the entire practice of regulating the retail liquor industry should revert to the Federal Trade Commission or to State authorities.

Appropriations

Salaries and expenses - Department of the Treasury, Bureau of Alcohol, Tobacco and Firearms
Taxpayer compliance - Department of the Treasury, Bureau of Alcohol, Tobacco, and Firearms

Appropriations Committee Issues

It is necessary to determine whether additional funds should be requested to enforce collection of occupational taxes on the alcohol industry.

DEPARTMENT OF THE TREASURY

BUREAU OF THE MINT

Opportunities Still Exist To Better Use the Mint's Data Processing Center (GGD-81-64, 3-27-81)

Budget Function: Automatic Data Processing (1001)
Legislative Authority: OMB Circular A-121.

The Bureau of the Mint's automatic data processing center in San Francisco, California, serves not only the Bureau but other Department of the Treasury bureaus and Federal agencies as well. A review was performed to evaluate how well the Bureau's data processing resources are managed.
Findings/Conclusions: Incomplete and inaccurate computer utilization measurements have caused Bureau officials to believe that the data center was functioning at close to full capacity. In fact, the computer can accommodate almost twice its present workload. In addition, the center is incurring unnecessary costs for the maintenance of excess peripheral equipment for the computer. These problems have occurred because the Bureau is not collecting the performance data necessary to assess the computer's workload, evaluate its efficiency, and determine what additional equipment is or is not necessary to support it.
Recommendations: The Bureau of the Mint should: (1) assure that the San Francisco automatic data processing center is performing as effectively as possible by making certain that the necessary performance and utilization measurements are collected and properly interpreted; (2) use this information as a basis for a computer performance management program to furnish periodic reports to management at the center and Mint headquarters on the extent to which data processing capacity is available and computer equipment is being used; and (3) on the basis of the information provided by the performance management program, try to ensure that the Mint's data processing capacity is fully utilized and that the data center's computer equipment is commensurate with its needs.

Agency Comments/Action

In discussions following the audit, the Mint generally agreed with the GAO recommendations and observations that the center could support additional work. It disagreed, however, as to the extent of computer underutilization. The Department of the Treasury subsequently informed GAO that it would review the center's workload in greater depth using additional and more appropriate measurements than were previously available. Further actions are pending the study's completion.

Appropriations

Administrative operations (ADP) - Department of the Treasury, Bureau of the Mint

Appropriations Committee Issues

GAO estimated that, at the rates being charged non-Mint users, unused capacity at the center represents a loss in annual billings in excess of $1.2 million. More importantly, other agencies may be incurring unnecessary costs for data processing equipment or services when the Mint's facility could be used to meet their requirements.

DEPARTMENT OF THE TREASURY

INTERNAL REVENUE SERVICE

How Taxpayer Satisfaction With IRS' Handling of Problem Inquiries Could Be Increased (GGD-79-74, 9-18-79)

Budget Function: General Government: Tax Administration (0807)

The U.S. tax system is based on voluntary compliance and each individual and business is responsible for filing all required tax returns, assessing the amount of the tax, and paying that amount. Because the Federal tax laws, publications, and forms are complex, taxpayers often need answers to difficult questions. The Internal Revenue Service (IRS) has two systems through which it handles tax inquiries; normal handling and special handling. The normal system used by district offices is intended to answer most taxpayer inquiries on the first contact. The special system was established to handle problem inquiries. While taxpayers may not always be right, extensive taxpayer dissatisfaction could affect their compliance with the tax laws. As a result, GAO sent out questionnaires to determine taxpayer satisfaction with IRS handling of inquiries.

Findings/Conclusions: The majority of the 2,223 taxpayers responding to the questionnaire were satisfied with the way IRS handled their inquiries. About 32 percent were dissatisfied, most complaining about the way IRS communicated its answers and the fact that resolving, or not resolving, their problems took too many contacts and too much time. GAO estimates that 54 percent of the taxpayers handled by the national office and 40 percent handled by service centers were dissatisfied. Due to weaknesses in implementing the special handling system, many problem inquiries which should have received special handling either did not or were referred too late. The control procedures were also found to have weaknesses. Followup of taxpayers with problem inquiries is too limited and taxpayers whose problems are not solved after the first attempt either have to keep trying in frustration or give up. Followup is needed to see that the problems are solved and that the taxpayers are satisfied to the extent possible. Followup would also provide data for the systematic evaluation of possible problem causes. Satisfaction could be increased by making the district offices' special handling units the focal point for controlling more such inquiries, since the national office and service centers are further removed and are not primarily intended to handle taxpayer problems.

Recommendations: The Commissioner of Internal Revenue should: (1) require that all IRS employees contacted by taxpayers obtain information on any prior contacts to make sure that problem inquiries are properly referred for special handling and are controlled; (2) increase the extent to which problem inquiries are handled and controlled by the district offices; (3) send comprehensive followup questionnaires to a statistically valid selection of all taxpayers with problem inquiries; (4) increase evaluation and correction of the common causes of taxpayer problem inquiries, particularly those identified by the GAO taxpayer questionnaire survey; and (5) make sure that IRS looks for ways to improve its communication of responses to taxpayers' inquiries as part of its efforts to simplify tax forms and instructions.

Agency Comments/Action

IRS generally agreed with most of the GAO recommendations. The major disagreement related to the IRS belief that it should obtain information about previous contacts on the same question or problem from only certain taxpayers requesting assistance. GAO believes that, unless IRS identifies all second-time contacts and provides those requirers with special handling, some deserving persons will still not get special service, while others who do not meet the criteria, but who complain the most, will receive it. IRS has issued instructions directing its employees to determine whether taxpayers making an inquiry had previously contacted IRS on the same matter. However, the requirement only covers matters which made up 15 percent of the total inquiries in 1978. IRS believes that querying all taxpayers about previous contacts on the same inquiry will put a possible strain on its taxpayer service resources. However, GAO believes this is the only way IRS can properly implement its criteria for referring taxpayer inquiries to its special handling system, or Problem Resolution Program. Until it queries all taxpayers about prior contacts on the same problem, IRS will never know how much, if any, additional resources are required to make such inquiries. IRS would then be better able to determine whether it needs different criteria for identifying problem inquiries and/or whether it needs to devote more resources to operating its special handling system.

Appropriations

Taxpayer service - Department of the Treasury, Internal Revenue Service

Appropriations Committee Issues

The Committees should question IRS as to the success of its limited requirement to query taxpayers on prior contacts. They should also inquire as to the cost of extending the requirement to cover all taxpayers.

DEPARTMENT OF THE TREASURY

INTERNAL REVENUE SERVICE

IRS Can Expand and Improve Computer Processing of Information Returns (FGMSD-81-4, 10-20-80)

Budget Function: General Government: Tax Administration (0807)
Legislative Authority: Revenue Act. P.L. 94-202.

GAO reviewed the information document matching program of the Internal Revenue Service (IRS) to (1) determine the progress made, (2) assess the adequacy of IRS computer capabilities for a full matching program, (3) determine the feasibility and costs of upgrading IRS computer capability, (4) determine the general status of IRS computer capabilities, and (5) identify any other problem areas related to the IRS management and use of computers.

Findings/Conclusions: IRS has made considerable progress toward achieving a full document matching program, but still does not use millions of information returns. About 79 percent of the information returns received for tax year 1978 entered the processing cycle for the matching program. IRS has sufficient computer capacity to process all the information returns, but additional funding and personnel are needed to transcribe the returns and follow up on unreported income. IRS plans to replace much of its computer equipment under a 3-phase replacement program that will cost an estimated $218 million over 8 years. This replacement and conversion to machine independent software offers the potential to improve IRS computer operations. An opportunity exists to expand the use of information returns by reducing the need for transcription by obtaining returns in computer-readable form and by cooperating with the Social Security Administration (SSA). IRS use of its data processing systems could be improved by improving the design of the information returns system and by better matching job requirements to computer resources.

Recommendations: The Commissioner of Internal Revenue, in cooperation with SSA, should seek ways to increase the filing of information returns on computer-readable media. The Commissioner of Internal Revenue should investigate the use of optical character recognition equipment to transcribe non-wage paper information returns, possibly through equipment sharing with SSA. The Commissioner of Internal Revenue should require the ADP performance evaluation staff to develop a comprehensive resource-need-based workload scheduling and management system to improve computer productivity at the National Computer Center. The Commissioner of Internal Revenue should redesign the information returns processing system to improve efficiency along the lines recommended in the IRS draft report entitled "System Design Recommendations for an Improved Information Returns Program," August 1979. The Commissioner of Internal Revenue should do a feasibility and cost-benefit study of a redesign, and development in higher level language, of the business and individual master files and related applications presently written in machine-dependent languages.

Agency Comments/Action

IRS concurred with, and is taking a number of actions to comply with, the first four GAO recommendations. Regarding the fifth recommendation, IRS did not dispute the need for upgrading its master file applications--the key central processing functions--to higher level computer programming languages. However, IRS believes that a redesigning of the master files and associated applications is to risky and that staff resources and skills are unavailable because of the current efforts on equipment replacement and upgrading computer programs to a higher level language. GAO believes that a feasibility and cost benefit study of master files redesign is needed because of their critical role in the tax processing system and IRS productivity.

Appropriations

Salaries and expenses - Department of the Treasury, Internal Revenue Service

Appropriations Committee Issues

GAO believes that IRS should be appropriated the resources needed to begin redesign of the master files. The design and use of the master files are keys to the effective use of most tax data and thus to the overall effectiveness of the IRS. The resources needed to accomplish this planning and design work are modest and should not impact the current system replacement efforts. Thus, GAO believes that the redesign effort should begin now to ensure that the computer systems and software obtained in the replacement program are the most appropriate to the IRS needs to ensure that the new equipment will enable the most effective and efficient use of the master files.

DEPARTMENT OF THE TREASURY

INTERNAL REVENUE SERVICE

Illegal Tax Protesters Threaten System

(GGD-81-83, 7-8-81)

Budget Function: General Government: Tax Administration (0807)
Legislative Authority: Internal Revenue Code (IRC). Tax Reform Act of 1976.

GAO reviewed the efforts of the Internal Revenue Service (IRS) to detect and deter illegal tax protesters. The review was based primarily on a random sample of cases identified as protesters in 1978 and 1979 by three IRS districts. IRS defines an illegal tax protester as a person who advocates or participates in a scheme with a broad exposure that results in the illegal underpayment of taxes. To counter this threat to the Nation's voluntary compliance tax system, IRS has taken some important actions, including the establishment of a nationwide program to detect and deter protesters and a related program to identify persons who file false form W-4's to evade taxes.

Findings/Conclusions: IRS has had some important successes, including convictions of major illegal protest leaders, but it needs to improve its efforts to identify illegal tax protesters and to bring them into compliance in a more timely and effective manner. IRS also needs to develop an overall strategy and better target its resources to maximize their deterrent effect on the protester problem. The exact extent and makeup of the illegal tax protest movement are unknown; illegal tax protesters have developed various complex and sophisticated schemes to evade or reduce their taxes. The largest number of cases in the review sample involved protesters who were nonprofessional wage earners, had incomes between $15,000 and $50,000, and on the average owed about $3,700 in taxes. The Illegal Tax Protester Program was designed primarily to identify and control protester returns and documents. The Questionable Form W-4 Program was designed to identify illegal tax protesters and others who file false income withholding certificates to evade taxes. IRS procedures for detecting illegal tax protesters are limited primarily to identifying those who chose to file a protest return or notify IRS of their protest; other protesters elude detection. IRS has not been as timely and effective as it could be in bringing illegal tax protesters into compliance. Additional opportunities exist for IRS to use the public media in dealing with the problem.

Recommendations: Congress should revise the summons provisions of the 1976 Tax Reform Act by requiring taxpayers to expeditiously show cause to a court for not complying with a summons. The Commissioner of IRS should direct IRS officials to routinely determine whether persons detected through the IRS nonfiler program are protesters and assure that they are pursued accordingly. The Commissioner of IRS should direct IRS officials to develop a service center computer program to identify returns with large charitable contributions and establish procedures for questioning those contributions before making refunds or accepting the return as filed. The Commissioner of IRS should direct IRS officials to provide appropriate personnel with sufficient training on protester identification procedures. The Commissioner of IRS should direct IRS officials to conduct an annual delinquency check on previously identified protesters to verify that filing requirements were met and proper tax assessed and paid. The Commissioner of IRS should institute the following change: when service centers identify a protester, they should accumulate a file of all pertinent data from sources within IRS, including information documents, questionable W-4's, and prior returns. The Commissioner of IRS should institute the following change: shipment of protester cases from service centers to districts should be specially handled to reduce lost time. The Commissioner of IRS should institute the following change: when protesters are uncooperative, IRS should prepare and process substitute tax returns based on available information, such as employer-provided information. The Commissioner of IRS should institute the following change: explicit guidance should be provided to examination and appeals personnel regarding how family estate trust cases should be expeditiously examined and processed. The Commissioner of IRS should institute the following change: when a protester case involves a paid preparer, IRS should expeditiously assert, where appropriate, a penalty against the preparer. The Commissioner of IRS should establish criteria on the time it will allow for protesters to provide records before issuing summons. The Commissioner of IRS should establish a working group in each district division to handle protester and other special compliance cases and designate one district official with the responsibility and authority for cutting across functional lines to ensure that such cases receive adequate and expeditious attention. Similar positions should be established at the national and regional office levels to ensure that the protester program and other special compliance programs receive the attention they need. The Commissioner of IRS should develop, with input from the Justice Department, an overall plan for dealing with illegal protesters. The Commissioner of IRS should develop more comprehensive management information for use in planning, allocating resources, and making other strategic decisions relative to the illegal tax protester efforts. The Commissioner of IRS should on a test basis, seek Joint Committee approval under Code section 6103(k)(3) to disclose taxpayer return information or any other information necessary to correct misstatements of fact.

Agency Comments/Action

IRS either has taken or plans to take action on nine GAO recommendations aimed at (1) improving IRS procedures for detecting illegal tax protesters and determining the extent and makeup of the protester problem; and (2) increasing the timeliness and effectiveness of IRS compliance enforcement efforts against protesters. IRS did not agree with three of four GAO recommendations aimed at improving the overall efficiency and effectiveness of IRS efforts against illegal tax protesters. IRS believed that establishing working groups in each district to handle protesters and other special compliance cased, and designating organizational structure and effective tax administration. IRS implied that an overall plan for dealing with illegal tax protesters was not necessary because it had an ongoing liaison with the Justice Department. Also, IRS did not see the need for more comprehensive management information to plan, allocate resources, and make other strategic decisions regarding its illegal tax protester efforts. GAO continues to believe that, to improve its effectiveness against protesters, IRS needs to better focus organizational responsibility, develop a plan, and develop more comprehensive management information. IRS did agree with one of the GAO efficiency and effectiveness recommendations, and is developing a proposal to be forwarded to the Joint Committee on Taxation which would allow IRS, as authorized by the Internal revenue Code, to expeditiously correct misstatements of fact made by illegal tax protesters.

Appropriations

Operation and maintenance - Army, Navy, Air Force
Criminal tax - Department of Justice
Taxpayer compliance - Department of the Treasury, Internal Revenue Service

DEPARTMENT OF THE TREASURY

INTERNAL REVENUE SERVICE

Billions of Dollars Are Involved in Taxation of the Life Insurance Industry--Some Corrections in the Law Are Needed

(PAD-81-1, 9-17-81)

Budget Function: General Government: Tax Administration (0807)
Legislative Authority: Revenue Act of 1964. Internal Revenue Code (IRC). Life Insurance Company Income Tax Act of 1959. Tax Reform Act of 1976. United States v. Atlas Life Insurance Co., 381 U.S. 233 (1979). United States v. Consumer Life Insurance Co., 430 U.S. 725 (1977).

GAO examined the provisions of the Internal Revenue Code under which life insurance companies are taxed to determine whether the provisions, which were enacted in 1959 and have not been reviewed since, were in need of revision. **Findings/Conclusions:** The Life Insurance Company Income Tax Act needs updating to reflect substantial changes in the industry and the economy. The Act contained a number of controversial provisions. Also, many features of the Act were written to tax the industry when it was dominated by mutual companies, whole life insurance was the predominant product sold, the rate of inflation was low, and earning rates on investments were much lower than current rates. Special features in the Act recognized the competitive balance between mutual and stock companies, the importance of fostering the survival of small life insurance companies, and the long-term nature of the life insurance business. In the past 20 years, the balance in the industry has shifted, and mutual companies no longer dominate. The lines of business that life insurance companies write have shifted from whole life to term and group insurance. There has been a dramatic increase in the pension line of business and tax-deferred annuities. Policy loan provisions have induced unanticipated demands on life insurance company assets in recent years. Because of these factors, Congress should consider changing sections of the Act which deal with the method by which the reserve deduction, that portion of current income necessary to meet future obligations, is calculated. Taxable income should be redefined as well as the method for approximating those reserves that are computed on a preliminary term basis.
Recommendations: Congress should consider selecting as an alternative to replacing the 10 to 1 rule for adjusting reserves one of the following: (1) substituting the interest based on assumed rates for the 10 to 1 adjustment, the free interest method; (2) replacing the 10 to 1 rule with a reserve deduction based on a geometric approximation that provides a larger reserve deduction in the current economic environment; or (3) substituting a 4.5 percent maximum for the average earnings rate with either the 10 to 1 reserve adjustment or with the geometric reserve adjustment. Congress should amend Sections 802(b) and 815(c)(2)(A) of the Life Insurance Company Income Tax Act of 1959 to reflect the current condition of the life insurance industry. There should be no automatic deferral of half the excess of gain from operations over taxable investment income for all life insurance companies. However, eliminating this deferral should be gradual and indexed according to the age of the individual company. Congress should amend the legislation to allow only $15 per thousand dollars of the amount at risk in revaluing reserves for permanent insurance plans. When considering the issue of deferred annuities, Congress should decide the issue of taxation at the corporate or individual level. Congress should amend the language of Section 801(a) of the Life Insurance Company Income Tax Act of 1959 to define a life insurance company. Congress should consider amending Section 801(b) of the Life Insurance Company Income Tax Act of 1959 which defines life insurance reserves. Congress should consider amending Section 804(c)(1) of the Life Insurance Company Income Tax Act of 1959 to provide a specific definition of investment expenses. Congress should amend Section 805(b)(4) of the Life Insurance Company Income Tax Act of 1959 to clarify the definition of assets. Congress should determine the extent of any abuses of reinsurance and examine Section 802 of the Life Insurance Company Income Tax Act of 1959 as it refers to modified coinsurance in any evaluation of the Act.

Appropriations Committee Issues

In its report, GAO provided recommendations to make specific changes in the law. GAO also suggested several alternatives associated with revenue estimates and specific criteria guiding the selection from among various alternatives. Two of the alternatives concerning the reserve deduction as well as two specific recommendations GAO presented would result in increased taxation but without the problems inherent in the current law.

DEPARTMENT OF THE TREASURY

INTERNAL REVENUE SERVICE

IRS Could Better Protect U.S. Tax Interests in Determining the Income of Multinational Corporations (GGD-81-81, 9-30-81)

Budget Function: General Government: Tax Administration (0807)
Legislative Authority: Internal Revenue Code (IRC). Revenue Act.

GAO reported on the Internal Revenue Service's (IRS) administration of the Internal Revenue Code Section 482 when auditing multinational corporations. Specific changes were discussed which would improve IRS enforcement of existing regulations. The larger question was explored of whether more fundamental changes in the regulations together with additional approaches to taxation of multinational corporations could alleviate some of the uncertainty and administrative burden presently being experienced by IRS and corporate taxpayers.

Findings/Conclusions: Multinational corporations have both the incentive and the opportunity to shift income between jurisdictions to take advantage of disparate corporate tax rates. One incentive is the minimization of taxes. The opportunity lies in the pricing of interorganizational transactions. This presents an excellent opportunity for abuse. IRS has not yet developed baseline information on the incidence and magnitude of multinational corporation noncompliance in terms of improper shifting of income. Thus, IRS has no basis for determining the amount of audit resources to be assigned to the problem, nor for gauging the success of those resources that are applied to it. Enforcement difficulties are compounded by the complexities involved in measuring the amount of income misallocated. Thus, regulations and the resulting enforcement process create an unacceptable level of uncertainty and a significant administrative burden both for corporate taxpayers and IRS examiners. Neither GAO nor IRS knows how much noncompliance exists, nor how many more adjustments IRS should have made. However, it can reasonably be concluded that the potential for greater enforcement exists.

Recommendations: Congress should amend section 6038 of the Internal Revenue Code to further provide that every United States person, as presently defined by the code, shall furnish such information as the Secretary of the Treasury may prescribe by regulation with respect to any foreign corporation which controls such person. The Secretary of the Treasury should adjust the safe haven interest rate as frequently as necessary to realistically reflect the current costs of borrowing on the open market. The Secretary of the Treasury should initiate a study to identify and evaluate the feasibility of ways to allocate income under section 482, including formula apportionment, which would lessen the present uncertainty and administrative burden created by the existing regulations. The Commissioner of Internal Revenue should aggregate and analyze existing data from a management perspective, consider ways to get a better measure of noncompliance, and establish procedures for continuously assessing the appropriateness of the IRS section 482 enforcement strategy. The Commissioner of Internal Revenue should reassess the appropriateness of the IRS criteria for requesting economists' participation in section 482 adjustments and require that participation be mandatory for all adjustments that meet the criteria established. The Commissioner of Internal Revenue should require IRS economists to evaluate whether the information they develop in one examination would be useful in other examinations and establish a procedure for communicating such information to other audit teams which examine corporations having similar operations or products. The Commissioner of Internal Revenue should clarify the description of the information that corporations should report concerning the sale and purchase of stock in trade and intercorporate loan transactions either by revising the form 2952 when current supplies are depleted or by issuing the new consolidated form currently being developed. In the interim, IRS should notify its examiners of the shortcomings in the present form.

Agency Comments/Action

The Department of the Treasury agreed in principle with GAO conclusions and recommendations concerning the need to more frequently adjust the safe haven interest rate. Treasury stated that a change in the current safe haven rate was made on July 1, 1981, and it anticipated that the rate in the future will be adjusted periodically so as to reflect major changes in interest costs. Both Treasury and IRS generally agreed with the GAO recommendations concerning specific improvements that need to be made to current section 482 enforcement procedures. However, both agencies expressed disagreement with the recommendation that Treasury undertake a study to identify ways to lessen the uncertainty and administrative burden created by existing regulations.

Appropriations

Examinations and appeals - Department of the Treasury, Internal Revenue Service

DEPARTMENT OF THE TREASURY

INTERNAL REVENUE SERVICE

Tax Revenues Lost and Beneficiaries Inadequately Protected When Private Pension Plans Terminate (HRD-81-117, 9-30-81)

Budget Function: Education, Training, Employment and Social Services: Other Labor Services (0505)
Legislative Authority: Employee Retirement Income Security Act of 1974 (29 U.S.C. 1001 et seq.). Internal Revenue Code (IRC).

In response to a congressional request, GAO reviewed the effectiveness of the practices and procedures of: (1) the Internal Revenue Service (IRS) and the Pension Benefit Guaranty Corporation (PBGC) for ensuring that pension plan terminations are reported; (2) IRS for processing plan terminations; and (3) IRS for ensuring compliance with income tax requirements by individuals receiving pension payouts.

Findings/Conclusions: The review showed that, for about two-thirds of reported terminations, plan sponsors were not requesting IRS reviews at the time of termination because they are not mandatory under the Internal Revenue Code. Termination actions were not being reported to PBGC, which is responsible for insuring participants' benefits. Thus, at the time of termination there is no assurance that, for many such plans, the participants are adequately protected as required by the Employee Retirement Income Security Act and the Internal Revenue Code. IRS reviews of terminating pension plans requested by plan sponsors have not been effective in protecting participants' benefits, and IRS processes for collecting taxes due on plan asset disbursements are incomplete. Substantial tax revenues have been lost because IRS had not fully compared employer and employee tax reporting information on asset disbursements to individuals. PBGC and IRS have begun actions to correct some of these problems.

Recommendations: Congress should enact legislation requiring plan sponsors to request an IRS determination for tax qualification of terminating pension plans before plan dissolution. The Commissioner of IRS should: (1) establish quality control procedures to ensure that termination applications approved contain all necessary data for making such determinations; (2) establish a level of turnover for reviewers to use in deciding whether to question participant departures before plan termination; and (3) identify documentation for reviewers to obtain when questioning possible discriminatory vesting, participant forfeitures, and questionable benefit distributions. The Commissioner of IRS, in cooperation with the Pension Benefit Guaranty Corporation, should use the automated records of both agencies to identify nonreporters of plan terminations. The Executive Director of Pension Benefit Guaranty Corporation, in cooperation with IRS, should use the automated records of both agencies to identify nonreporters of plan terminations. In addition, the Executive Director should establish procedures for timely followup with potential nonreporters to ensure participants in terminated plans, entitled to retirement benefit insurance, are afforded the protection intended by Congress under Employee Retirement Income Security Act. The Commissioner of IRS should determine for tax year 1982 the amount of pension payouts reported by employers as capital gains to employees and whether an effective method to compare such reporting with individual tax returns can be developed. If an effective comparison method cannot be developed, the employer reporting requirements of pension payouts as capital gains should be discontinued. The Commissioner of IRS should use relevant reporting areas on individual tax returns, such as a reported rollover for computer matching with employer pension payout reports, to alleviate the need for manual reviews. The Commissioner of IRS should develop procedures for testing employers' filing compliance of pension payouts by obtaining, on pension plan annual reports, summary information on the number of payouts made above established dollar tolerances during the year to be compared with employer summary miscellaneous income reports.

Agency Comments/Action

IRS and PBGC officials advised GAO that they agreed with the recommendations in the report. Action has been taken or initiated to correct many of the problems discussed in the report.

Appropriations

Salary and expenses - Internal Revenue Service, Pension Benefit and Guaranty Corp.

OFFICE OF REVENUE SHARING

The Revenue Sharing Act's 1976 Amendments: Little Effect on Improving Administration and Enforcement of Nondiscrimination Provisions

(GGD-81-9, 12-10-80)

Budget Function: General Purpose Fiscal Assistance: General Revenue Sharing (0851)
Legislative Authority: Revenue Sharing Act.

Previously reported problems identified in the Office of Revenue Sharing's (ORS) administration of the Revenue Sharing Act's nondiscrimination provisions continue to exist despite enactment of the 1976 amendments.

Findings/Conclusions: GAO found that: (1) case processing time continues to be lengthy; (2) the case backlog is steadily increasing; (3) compliance agreements are not adequately monitored; (4) self-initiated compliance reviews are not generally made because of the consistent backlog of complaints awaiting investigation; and (5) cooperative agreements with State and other Federal agencies are not being effectively used. However, despite the problems, the Office has prompted changes in recipient jurisdictions' employment practices and delivery of services.

Recommendations: The Secretary of the Treasury should require the Director of ORS to direct the two-person monitoring teams to make a stipulated number of self-initiated compliance reviews. The Secretary of the Treasury should require the Director of ORS to implement the cooperative agreement with the Office of Personnel Management and make greater use of the agreement with the Law Enforcement Assistance Administration. The Secretary of the Treasury should require the Director of ORS to fully implement its plan to use two-person teams for each branch to monitor jurisdictions' compliance agreements. The Secretary of the Treasury should require the Director of ORS to modify the compliance tracking system to enable supervisors to use the system to manage case workload and to improve the monitoring of cases after agreements have been reached. The Secretary of the Treasury should require the Director of ORS to finalize the revised agreement with the Department of Justice and establish cooperative agreements with other Federal agencies whose civil rights mandates overlap with those of ORS. The Secretary of the Treasury should require the Director of ORS to actively seek to establish more cooperative agreements with State civil rights agencies, focusing on practical areas of cooperation such as information exchange, State assistance in monitoring compliance agreements, and mutual support for each other's compliance efforts. The Secretary of the Treasury should require the Director of ORS to prepare single-document compliance agreements, to be signed by ORS and the jurisdiction, specifying the corrective actions agreed upon.

Agency Comments/Action

The Department has taken action to implement several of the GAO recommendations. Specifically, the Department: (1) has implemented the cooperative agreement with OPM; (2) is using a single-document compliance agreement; (3) is using the compliance tracking system to identify cases for action; (4) is planning greater use of the system in managing case workload; and (5) is using two-person teams to monitor compliance agreements.

Appropriations

General purpose fiscal assistance - Department of the Treasury, Office of Revenue Sharing

DEPARTMENT OF THE TREASURY

OFFICE OF THE COMPTROLLER OF THE CURRENCY

Comptroller of the Currency Needs Authority To Dispose of Property Remaining From Failed National Banks (GGD-81-94, 9-25-81)

Budget Function: General Government: General Property and Records Management (0804)
Legislative Authority: Depository Institutions Deregulation and Monetary Control Act of 1980 (P.L. 96-221). 10 U.S.C. 2575.

GAO examined the management by the Office of the Comptroller of the Currency (OCC) of property remaining from closed receiverships of national banks which became insolvent prior to the assumption of responsibility by the Federal Deposit Insurance Corporation for liquidating failed national banks in 1934. The property has been in the custody of OCC for many years. During the past 20 years, no one has filed claims for the property, and the agency has not attempted to locate the owners.

Findings/Conclusions: Without an appraisal by experts, OCC has no official estimate of the value of this property. Aside from the obviously worthless items, the intrinsic value of much of the property probably would be overshadowed by its appeal to collectors for its antique or historic value. Also, there exists the possibility that some of these items might be priceless because of their condition, history, or uniqueness. The most recent audit of the inventory by OCC internal auditors disclosed major discrepancies between the physical inventory and the inventory control records. In view of the problems in safekeeping the property and the lack of action by either the owners to obtain or the agency to return the property, GAO believes that OCC should initiate actions to dispose of it. GAO has been unable, however, to find any statutory authority which authorizes the final disposition of the property.

Recommendations: Congress should enact legislation to authorize the Comptroller of the Currency to dispose of property remaining from safe-deposit boxes and other safekeeping arrangements of closed national banks. The Comptroller of the Currency should attempt to locate the owners of property remaining from insolvent national banks liquidated by the Office of the Comptroller of the Currency-appointed receivers. It may be appropriate to advertise for such owners once a week for 3 or 4 consecutive weeks in a newspaper of general circulation in the liquidated bank's community followed by final notice in the Federal Register. The Comptroller of the Currency should develop adequate procedures for safekeeping the property until its disposition is accomplished.

Agency Comments/Action

The Comptroller of the Currency agreed with and endorsed the recommendations. After the GAO report was issued, legislation was introduced which would authorize the Comptroller of the Currency to dispose of the property (Section 208(b) of S. 1720). On October 30, 1981, both GAO and the Acting Comptroller of the Currency testified before the Senate Committee on Banking, Housing, and Urban Affairs in support of this legislation.

Appropriations Committee Issues

The Committees should monitor the progress that is made in disposing of the property because, under the pending legislation, proceeds from the sale of property would go to the Treasury as miscellaneous receipts.

DEPARTMENT OF THE TREASURY

OFFICE OF THE COMPTROLLER OF THE CURRENCY

The Comptroller of the Currency Should Decide the Extent to Which His Action Control System Is Needed (GGD-81-93, 9-28-81)

Budget Function: General Government: Other General Government (0806)

As part of its study of changes in bank supervision since 1976, GAO reviewed the Action Control System (ACS) of the National Bank Surveillance System (NBSS) under the supervision of the Office of the Comptroller of the Currency (OCC). The review consisted of an overall study of supervisory changes and a review of selected cases of banks requiring special supervisory attention to determine how ACS was used.

Findings/Conclusions: In its review GAO found that ACS was not meeting its objective of assuring uniform, timely action by OCC for banks deserving supervisory attention. A major reason may be that OCC never made an adequate study of how best to solve its perceived problem, and consequently the ACS design was faulty. As a result, neither regional nor headquarters personnel fully use the system. According to the Action Control Improvement Committee, ACS is receiving limited use because its output is not in a format usable to readers. Additionally, officials at other regulatory agencies question the need for a computerized system to monitor their banks which are of supervisory concern since each bank is already closely monitored. GAO believes that a primary cause of the problems of ACS was the lack of an adequate cost/benefit or other system justification study before ACS was developed. Moreover, since some OCC regions and other banking agencies question the need of a computerized system to insure adequate followup, the system may not be the right system to fulfill the need of a standardized monitoring system.

Recommendations: The Comptroller of the Currency should expand the study of the Action Control System to assess the system's purpose, usefulness, and role in monitoring banks, as well as its cost effectiveness, and to evaluate the risks that reducing the system's coverage would entail.

Appropriations

Operations - Department of the Treasury, Office of the Comptroller of the Currency

DEPARTMENT OF THE TREASURY

UNITED STATES CUSTOMS SERVICE

Achieving Needed Organizational Change: A Customs Service Dilemma (FPCD-78-29, 3-30-78)

Budget Function: General Government: Central Fiscal Operations (0803)
Legislative Authority: 1 Stat. 29.

The United States Customs Service is organized on four levels, or tiers (headquarters, 9 regions, 45 districts, and 303 ports). The four-tier structure stems from the Stover report, the result of a Department of the Treasury management study, which gave the impetus for the 1965-66 reorganization.

Findings/Conclusions: While the four-tier structure has contributed to management efficiency, the Stover report and later studies recommended a reduction in the number of regions and districts. Customs has been unwilling to make the reductions because of external opposition to consolidation. Fewer regions and districts would allow Customs to reduce overhead and reassign personnel to day-to-day operations. This could be achieved without eliminating a Customs presence at affected communities, and it would improve services.

Recommendations: The Secretary of the Treasury should direct the Commissioner of Customs to: reduce the number of regions and districts in keeping with workload requirements and sound organizational principles, clarify the responsibilities of organizational levels and units, realign responsibilities for functions among and within organizational levels, and establish definitive criteria for reviewing port status and use these criteria to identify unneeded ports.

Appropriations

Operation and maintenance - Department of the Treasury

Appropriations Committee Issues

The Customs Service can improve its efficiency and reduce overhead by reducing the number of its regional and district offices.

DEPARTMENT OF THE TREASURY

UNITED STATES CUSTOMS SERVICE

Customs' Efforts To Develop a System for Assigning Inspectors Need Top Management Support (GGD-78-48, 5-2-78)

Budget Function: General Government: Executive Direction and Management (0802); General Government: Central Personnel Management (0805)
Legislative Authority: National Productivity and Quality of Working Life Act (P.L. 94-136).

The method the U.S. Customs Service uses to allocate inspectors to ports-of-entry has created staffing inconsistencies and the potential for their inefficient use. Although Customs has been aware of these shortcomings for many years, only recently have efforts been made to correct the problem. In August 1976, Customs established the Productivity Task Force to develop an approach to productivity management.

Findings/Conclusions: Despite the magnitude of its responsibilities, Customs does not have a system which provides detailed information on its inspection efforts and which relates such efforts to accomplishments, considering such factors as volume, processing complexity, enforcement risks, and facility restrictions. In addition, Customs terminology has not been standardized, thereby hindering the conversion of workload data to staffing requirements. A review of Customs operations at several locations showed no apparent correlation between the number of inspectors assigned to a port-of-entry and the workload in terms of activity levels, work complexity, or enforcement risks. Efforts to correct these problems through the Productivity Management and Improvement Program appear to be weakening, and top management support is needed if Customs is to make a more rational allocation of inspectors.

Recommendations: The Secretary of the Treasury should direct the Commissioner of Customs to provide the Productivity Task Force the necessary leadership and the authority, guidance, and personnel to accomplish its objectives; monitor the progress of the Productivity Management and Improvement Program; and develop standardized Customs terminology for current and proposed information systems.

Agency Comments/Action

Treasury agrees in part with the GAO recommendations. Customs believes that although the GAO report recommendations and comments are well intended, there would be considerable difference in the report's conclusions today. Customs said it is now concentrating its efforts to develop a system for assigning inspectors.

Appropriations

Salaries and expenses - Department of the Treasury, U.S. Customs Service

Appropriations Committee Issues

There is a need for a better system of assigning inspectors to achieve more effective and efficient use of inspection staff.

UNITED STATES CUSTOMS SERVICE

Ship Manifest Laws Need To Be Administered in a More Consistent, Less Burdensome Manner (GGD-80-22, 4-10-80)

Budget Function: Administration of Justice: Federal Law Enforcement Activities (0751)
Legislative Authority: Custom Duties Act. Customs Procedural Reform and Simplification Act of 1978. Tariff Act of 1930. P.L. 94-410. 19 U.S.C. 1431. 19 U.S.C. 1453. 19 U.S.C. 1584. 19 U.S.C. 1618.

GAO was asked to analyze the Customs Service's use of a ship's cargo manifest and the administration of penalties for discrepancies in the manifest. The cargo manifest, which lists the quantity, description, and destination of all cargo on board ships entering the United States, has been and continues to be a useful document for controlling imports. The merchandise quantity and description as shown on the manifest is compared to that shown on importers' merchandise entry documents. Since the manifest is prepared by the carrier and entry documents are prepared by the importer, the comparison provides some control that the quantity and type of merchandise entered by the importer is correct. Further, Customs encourages cargo manifest accuracy through a system of penalties.

Findings/Conclusions: Presently, Customs has difficulty determining whether penalties for manifest discrepancies should be levied. The law provides that carriers will not incur penalties if Customs believes that the manifest is incorrect by reason of clerical error or other mistake. Clerical errors are defined as nonnegligent, inadvertent, or typographical mistakes in the preparation, assembly, or submission of the manifest. However, it is difficult to determine precisely what types of errors constitute negligence. Moreover, the penalties for manifest discrepancies are generally mitigated, and mitigation creates an unnecessary administrative burden. Therefore, Customs needs a new system of levying penalties to improve the administration of penalties. The system should set an initial penalty that would not generally have to be mitigated, would be able to be administered uniformly, and would automatically determine the amount of the penalty based on the number of discrepancies in the manifest. To do that, Customs will have to stop determining whether negligence was involved for each discrepancy. Moreover, carriers are in a position to identify manifest discrepancies and thus aid Customs in the levying of penalties. Therefore, carriers need to be provided with a greater incentive to report manifest errors.

Recommendations: The Secretary of the Treasury should establish a system whereby: (1) the parties responsible for manifest discrepancies are not penalized if the discrepancies are reported within certain timeframes; (2) Customs does not notify carriers of the manifest discrepancies it discovers until the carriers' reporting timeframes have lapsed; and (3) a penalty scale is established for carrier manifest discrepancies based on the number of discrepancies per manifest. Additionally, the unloading permit penalty should not be used to penalize carriers who have inaccurate manifests. Congress should amend the Tariff Act of 1930 to provide the Secretary of the Treasury with the authority to establish manifest penalties based on the number of discrepancies in the manifest.

Agency Comments/Action

The Department of the Treasury agrees that there is a lack of consistency in the assessment and mitigation of manifest penalties. However, it does not agree with the recommended system for correcting these problems. Treasury proposes to remedy the problems by tuning the present system. That may help, but GAO believes it will not be sufficient.

Appropriations

Operation and maintenance - Department of the Treasury

Appropriations Committee Issues

Customs needs to administer manifest-related penalties in a more consistent, less burdensome manner. The Committees should require the Customs Service to demonstrate a new approach for administering manifest penalties, which would provide incentives to carriers to submit accurate manifests and report discrepancies. To provide the Secretary of the Treasury with the authority to establish manifest penalties based on the number of discrepancies in the manifest, Congress should amend the Tariff Act of 1930.

UNITED STATES SECRET SERVICE

Secret Service Has More Computer Capacity Than It Needs (GGD-81-43, 3-17-81)

Budget Function: Automatic Data Processing (1001)

The Secret Service relies heavily on data processing to carry out its protective and law enforcement functions. GAO reviewed the use of computers by the Service to evaluate how effectively these resources are managed and how well they contribute towards the accomplishment of its mission.

Findings/Conclusions: The Secret Service has computer resources in excess of its requirements. Because the Service did not define its data processing needs beforehand, it has acquired two separate and identical computers when one would have been sufficient for its workload. The Service has no basis for determining that it needs two computers or if it is realizing any advantages from having two. GAO believes that one of the Service's two computers has enough processing power and memory capacity to handle its current demands as well as any planned increases. However, before the specific excess equipment can be identified, the Service will need to measure precisely what its computer needs are and assure itself that these needs are being met in the most efficient and effective manner.

Recommendations: The Director of the U.S. Secret Service should take immediate steps to define its data processing requirements and ensure that its computer resources are commensurate with its needs. Specifically, the Service should perform a cost-benefit analysis of its data processing requirements and determine the equipment necessary to support these needs. At a minimum, this analysis should establish criteria to define and quantify the computer response time, security, and backup requirements for the Service to carry out its mission; explain the justification of these requirements; and demonstrate how the equipment necessary to meet these needs was decided on. The Service should also obtain and install the necessary performance monitoring tools to measure computer utilization and use this information as a basis to ensure that data processing resources are being used as efficiently as possible.

Agency Comments/Action

By memorandum dated May 10, 1981, the Secret Service informed GAO that it had installed additional performance monitoring tools as GAO recommended but had determined that the Service's data processing operation was being conducted as effectively and efficiently as possible. The Department of the Treasury subsequently informed GAO that it would assess the Service's equipment needs itself when staff was available and would take appropriate action based on the results.

Appropriations

Administrative operations (ADP) - Department of the Treasury, U.S. Secret Service

Appropriations Committee Issues

On the basis of how they are currently used, the Secret Service does not need two computers. Both computers were acquired in 1980 with a 6-year lease/purchase agreement expected to have a total cost of $3.5 million. A significant amount of the costs not already incurred, perhaps as much as half, could be avoided by returning unnecessary equipment to the vendor.

DEPARTMENT OF TRANSPORTATION

How To Improve the Federal Aviation Administration's Ability To Deal With Safety Hazards (CED-80-66, 2-29-80)

Budget Function: Transportation: Air Transportation (0402)
Legislative Authority: Airline Deregulation Act of 1978 (P.L. 95-504). Airport and Airway Development Act of 1970. Airport and Airway Development Act Amendments of 1976. Federal Aviation Act of 1958 (49 U.S.C. 1421). Executive Order 12044. 49 Fed. Reg. 65550. DOT Order 5800.2. FAA Order 1000.1. FAA Order 1000.27. FAA Order 1300. FAA Order 1800.13A. NPRM 77-1. NPRM 78-3.

The Federal Aviation Administration (FAA) is responsible by law for ensuring the safe and efficient use of the Nation's airspace and fostering civil aeronautics and air commerce. FAA attaches great importance to its safety-related programs. Aviation, compared with other transportation modes, has a good safety record.

Findings/Conclusions: However, FAA has not been effective or timely in developing systems to identify safety hazards because it has not: (1) recognized their importance; (2) emphasized information gathering and analysis, nor (3) undertaken long-term planning for comprehensive identification systems. Organizational problems along with the lack of a comprehensive planning process for addressing aviation safety issues have also hampered the effectiveness of FAA. Without this process, management lacks a reference frame for planning, approving, implementing, and evaluating specific safety projects. Also, once FAA has identified its overall safety priorities, it must have a procedure to insure that safety project plans are prepared, reviewed, and approved. To date, such a procedure has either been incomplete or nonexistent. Additionally, FAA management needs a system of controls to govern the implementation phase of safety projects. The difficulties that FAA has had regarding priorities, requirements, cost-benefit analyses, interim corrective actions, internal coordination, staffing-workload analyses, and accountability need to be addressed through logical and systematic planning. Also, specifications and efforts have not been documented in project files, safety projects have not always been adequately monitored, and no agencywide requirement for recording actual time charged on safety project work existed. Further, evaluation and appraisal functions have not received much priority and have diminished in use at FAA.

Recommendations: The Secretary of Transportation should direct the FAA Administrator to: (1) prepare a long-range plan to improve the identification of safety hazard problems, the integration of various systems to solve them, and milestones for arriving at solutions; (2) monitor the progress of the safety information effort at the highest management levels within FAA and periodically report progress to the Secretary of Transportation; (3) adhere to milestones for plan implementation; (4) explore all means for obtaining a common FAA/National Transportation Safety Board approach to accident information; (5) achieve better coordination of human factors research by establishing an agencywide human factors spokesman and preparing a statement of position on human factors, an FAA human factors definition, an agency long-range plan, and a summary of dollars spent or needed on human factors research; (6) establish a planning process which defines organizational goals, objectives, policies, and priorities to guide the overall safety mission and provides a reference frame for planning and approving specific safety efforts, implementing individual safety project plans, and evaluating safety projects; (7) establish a top management group to identify overall safety priorities; (8) develop formal safety project plans showing how the total agencywide solution is to be accomplished; (9) require that formal plans for individual safety projects be reviewed and approved at the Associate Administrator level; (10) develop a system of controls to guide and monitor safety project work both before and during the rulemaking process; (11) develop a mandatory, written progress report system; (12) implement a system of recording in project folders staff time charged to safety projects; (13) see that each safety project is monitored continually; (14) prepare an annual report on the safety evaluation activities, both as planned and achieved by the Office of Aviation Safety; (15) assign appraisal responsibilities and the requisite manpower resources to the Program Review Staff to conduct independent and objective agencywide evaluations of major issues of concern, or assign this responsibility to a new organizational component reporting to the FAA Administrator; (16) establish permanent procedures to ensure that adequate feedback about compliance is obtained on nonregulatory safety actions; and (17) have the management of the safety mission of FAA periodically evaluated.

Agency Comments/Action

In responding to this report, the Department of Transportation concurred with many of the GAO observations and indicated that action would be taken with respect to the five areas cited in the report regarding FAA-wide planning, priorities, and decisionmaking in all major mission areas.

Appropriations

Operations - Department of Transportation, Federal Aviation Administration

Appropriations Committee Issues

Continuing committee oversight is needed to assure that specific improvements to FAA procedures, processes, and controls, which should make FAA able to respond more quickly and effectively to aviation safety hazards, are implemented by FAA.

DEPARTMENT OF TRANSPORTATION

Actions Needed To Increase Bicycle/Moped Use in the Federal Community (EMD-81-41, 1-19-81)

Budget Function: Energy: Energy Conservation (0272)
Legislative Authority: Energy Conservation Policy Act (P.L. 95-619). Tort Claims Act. Surface Transportation Assistance of 1978 (P.L. 95-599). Land and Water Conservation Fund Act of 1965 (P.L. 88-578).

GAO conducted a study to determine what needs to be done to encourage greater use of bicycles and other two-wheeled vehicles in the Federal community and to assess the proposal to reimburse those who use these vehicles for official travel.

Findings/Conclusions: If Government employees and those visiting Federal buildings and facilities are to increase bicycle or moped usage, existing barriers must be dealt with, and the Government's role must be clearly defined. Major governmental departments should set the example by identifying opportunities for, and encouraging greater use of bicycles or mopeds within their departments. Fears for personal safety, lack of facilities, unresolved legal issues, and attitudes bar bicycle usage. Decreasing the fear of riding in traffic will necessitate effective education, training, and enforcement of cyclist traffic laws. The provision of bikeways, secure parking, showers, and lockers for cyclists would serve to reduce barriers. A general lack of awareness of the bicycle and moped as transportation modes must be overcome. The Department of Transportation and the Environmental Protection Agency have been the most active in encouraging the use of bicycles or mopeds. Other departments have not promoted the idea of using these vehicles, attempted to identify situations where they could be used, and disseminated information on successful bicycle and moped programs. Federal employees should be reimbursed for official travel by bicycle or moped. The cost of owning and operating a bicycle falls between 3 and 5 cents per mile. The reimbursement rate presently proposed to Congress is reasonable. The cost of owning and operating a moped ranges from 8.2 to 16.3 cents per mile. An 8-cent reimbursement rate for moped use by Federal employees seems to be reasonable until additional cost data are obtained.

Recommendations: Congress should amend Sections 5704 (a) and 5707 (b)(2) of Title 5 of the United States Code to provide for an allowance of 4 cents per mile to Federal employees using their privately owned bicycles while on official business. An 8 cents per mile allowance should also be provided for the use of privately owned mopeds. Language similar to that contained in H.R. 6180 could be used. The Secretary of Transportation should give specific attention to two major barriers, lack of secure parking and lack of shower facilities, which appear to be precluding widespread use of these vehicles by Federal employees.

Agency Comments/Action

DOT agreed that increased bicycle ridership would be desirable and will seek to encourage such an increase within the limits of budgetary and manpower constraints.

Appropriations

Department of Transportation, Office of the Secretary

Appropriations Committee Issues

Continuing Committee oversight is needed to ensure that the Agency accomplishes the desired goal of increased bicycle use by Federal employees.

DEPARTMENT OF TRANSPORTATION

The Federal Investment in Amtrak's Assets Should Be Secured

(PAD-81-32, 3-3-81)

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (1101)
Legislative Authority: Amtrak Reorganization Act of 1979. Rail Passenger Service Act of 1970. Amtrak Improvement Act of 1978 (P.L. 95-421; 45 U.S.C. 601 et seq.; 92 Stat. 923).

Amtrak has not become the profit-making corporation that was originally planned in 1970. Instead, it has become dependent on Federal funds and subject to greater Federal control while legally remaining a private corporation. As of fiscal year 1980, the Federal Government had given Amtrak over $3 billion for its capital acquisition and improvement programs.

Findings/Conclusions: Only $2.5 billion of the Government's investment in Amtrak is subject to Federal security arrangements. The only probable condition that would cause the Government to exercise its security rights would be under a liquidation of Amtrak's assets. Because of the Government's commitment to rail passenger service and Amtrak's dependence on Federal funds, liquidation is only likely to occur if Congress stops funding the railroad. If liquidation did occur, however, the market for Amtrak's equipment would not be good since the equipment is unique to rail passenger service. Since the Government has funded the majority of Amtrak's assets, this amount should be fully secured so that the Government can recover as much of its investment as possible should liquidation occur.

Recommendations: Congress should further amend section 601(b) of the Rail Passenger Service Act of 1970 so that any future appropriations for Amtrak's capital program can only be available after Amtrak and the Secretary of Transportation have entered agreements creating a Federal claim and securing, in favor of the United States, all assets acquired in the past and the future using Federal capital funding.

Agency Comments/Action

Amtrak concurred that the Government has a need and a right to protect its investment. It believed that the mechanism employed to assure this protection should be consistent with actions Congress may take to retire Amtrak's guaranteed debt. According to Amtrak, the most feasible way to retire the debt is by issuing nonvoting and convertible stock. If the debt is not retired or if the GAO recommendation for retirement is followed, Amtrak agrees that security agreements are appropriate. Amtrak prefers to enter them voluntarily but would not strongly object to legislation requiring such agreements.

Appropriations

Department of Transportation - National Railroad Passenger Corporation

Appropriations Committee Issues

Congress should further amend section 601(b) of the Rail Passenger Service Act of 1970 (45 U.S.C. 601). This amendment would allow future appropriations for Amtrak's capital program to be available only after Amtrak and the Secretary of Transportation have entered agreements that create a Federal claim and secure, in favor of the United States, all assets acquired in the past and in the future using Federal guarantees and capital funding.

Information on U.S. Coast Guard's Decision To Purchase M/V Cowslip Vessel (CED-81-128, 6-25-81)

Budget Function: Procurement--Other Than Defense (1007)

GAO reviewed a Coast Guard decision to purchase a buoy tender, as opposed to a second vessel that was available for purchase, to replace a Coast Guard vessel which sank. GAO utilized Coast Guard vessel inspection reports and purchase, renovation, and repair cost data in evaluating the relative merits of the two vessels and arriving at the purchase decision.

Findings/Conclusions: GAO found no basis to conclude that the purchase decision was improper. However, the Coast Guard relied on its own assessments of the relative conditions of both vessels. These assessments were not verified by a separate Coast Guard in-house assessment or by commercial vessel surveyors. Furthermore, cost comparisons developed by the Coast Guard and used in the purchase decision were based on cost estimates provided by the Coast Guard's Office of Engineering and were not independently verified. Both of the vessels in question had been Coast Guard vessels which the Coast Guard declared excess and transferred to the General Services Administration for disposal. The Coast Guard generally does not purchase used vessels, thus did not have specified procedures for their inspection and purchase. Periodically, however, it determines the overall condition and remaining service life of its vessels. The Coast Guard did not complete the full prescribed inspections on the vessels. The inspection reports described the ship that was purchased as being in substantially better condition than the other ship. In addition, the Coast Guard could provide no detailed supporting worksheets to show how additional costs were determined. The fact that the purchased ship could be activated relatively quickly was a major factor in the purchase decision.

Recommendations: The Secretary of Transportation should require the Coast Guard, when it purchases used vessels, to complete a second, confirmatory inspection and cost estimate in its vessel assessment and cost estimating process. The assessments could be obtained by the Coast Guard's in-house capability or by a commercial surveyor.

Agency Comments/Action

No action has been taken on the recommendations as of September 30, 1981.

DEPARTMENT OF TRANSPORTATION

Management Improvements Needed in Coast Guard Supply System (PLRD-81-37, 7-2-81)

Budget Function: National Defense: Defense-Related Activities (0054)

GAO reviewed Coast Guard efforts to establish a more viable supply system by eliminating wholesale inventories of items which are also stocked and managed by other Federal agencies and reducing the number of inventory control points (ICP).

Findings/Conclusions: GAO found that some progress had been made in resolving these problems. However, GAO determined that: (1) the Coast Guard could save millions of dollars annually by obtaining supplies and spare parts from other Government agncies when needed, instead of maintaining inventories; (2) the Coast Guard stocks thousands of inactive line items at levels above Coast Guard needs, although many of these items are needed and are being procured by other Federal agencies; (3) ship inventory records were inaccurate, and item managers do not know what repair parts and components are available to them; (4) duplicate filings of aeronautical requisitions result in air stations receiving supplies in excess of the amount authorized; (5) inventory discrepancies are not adequately corrected, and records do not accurately reflect available stock levels; and (6) improvements are needed in controls over project material by the inventory control point and headquarters' offices. The Coast Guard needs to purge its system of other Government agency-managed items. Stockage of parts managed by these agencies contributes to unnecessary storage, handling, and transportation costs. The Coast Guard has a large amount of inactive inventory that could be redistributed to other Government agencies. Periodic physical inventories at Coast Guard control points have not been taken as required and, when taken, discrepancies between onhand stocks and stock records have not been properly reconciled nor adequately researched to prevent similar occurrences.

Recommendations: The Secretary of Transportation should require the Commandant of the Coast Guard to direct the ICP's to adopt requisitioning procedures that would permit shipments directly to the users. The Secretary of Transportation should require the Commandant of the Coast Guard to direct the ICP's to (1) eliminate wholesale levels of stock available from other Government supply sources; and (2) report to the Commandant on the progress made. The Secretary of Transportation should direct the Commandant of the Coast Guard to implement Coast Guard-wide inactive item program similar to the Aviation ICP program. This program would ensure that unneeded items are purged regularly from the supply system and made available to other Government agencies. The Secretary of Transportation should direct the Commandant of the Coast Guard to monitor the ICP supply management practices to ensure that (1) periodic physical inventories are systematically taken to identify items in excess of needs and those not needed for other projects; (2) stock discrepancies are reconciled properly and stock records are adjusted properly to reflect onhand stocks; (3) discrepancies are researched adequately to determine and correct the causes; and (4) units assign the appropriate designators to their requisitions.

Appropriations

Operation and maintenance - Department of Defense

DEPARTMENT OF TRANSPORTATION

Conrail Needs To Further Improve Inventory Control and Management (CED-81-140, 9-4-81)

Budget Function: Transportation: Ground Transportation (0401)
Legislative Authority: Regional Rail Reorganization Act of 1973 (45 U.S.C. 701).

Since 1976 Congress has provided $3.3 billion in Federal funds to Consolidated Rail Corporation, commonly known as Conrail. Of this, about $1.4 billion has been spent for track rehabilitation. The Regional Rail Reorganization Act of 1973 provides that GAO should keep Congress informed of the security of Federal funds invested in Conrail. GAO evaluated the physical and management controls Conrail has for its maintenance-of-way losses, thefts, or unauthorized use that could occur and not be detected. Maintenance-of-way inventory consists of items required to maintain and rehabilitate tracks, bridges, and buildings, as well as items to maintain and repair maintenance-of-way work equipment.

Findings/Conclusions: To help manage its inventory, Conrail uses a computer-based inventory control system. The system is designed to provide information on where the inventory is, how much is on hand, and what is on order. However, GAO found that Conrail's inventory system is not providing accurate and reliable information. Inventory records are largely inaccurate and are not maintained for many field locations. As a result, the only time, when Conrail knows what it has in inventory and where it is, is when the inventory is counted once each year. During the rest of the year, Conrail cannot rely on the information produced by its inventory system. Without reliable inventory information, Conrail managers cannot be sure that items being purchased are actually needed. Inventory records are inaccurate due to: (1) inadequate physical controls over the inventory; (2) failure or delay of Conrail field personnel to complete and process material transaction documents; (3) lack of a requirement to document transfer of materials between Conrail divisions; and (4) lack of inventory records for many field locations.

Recommendations: The Chairman and Chief Executive Officer of Conrail should: (1) establish and monitor reasonable inventory record accuracy standards based on the percentage of gross physical inventory variance; (2) maintain stock status inventory records for each inventory store location; (3) revise procedures to provide for the investigation and evaluation of a representative number of gross, rather than net, physical inventory variances at each store; (4) change the organizational structure so that users and custodians of maintenance-of-way materials are not in the same department; (5) assess the physical security of the individual inventory stores, make improvements such as installing fencing and lighting if needed and where deemed economically feasible, and limit access to authorized persons; (6) establish a procedure for the transfer of inventory items from one Conrail location to another, requiring that the receiving store verify all items received against accompanying transfer documents and prepare a receiving report for input to the material, accounting, and purchasing system; (7) instruct Conrail personnel to comply with existing procedures requiring that purchase orders be on hand at inventory stores when purchased materials and supplies are received; and (8) require that open purchase orders be monitored and that the need for purchase orders that are outstanding for a considerable period beyond the requested delivery dates be reevaluated.

Agency Comments/Action

The United States Railway Association agreed with the GAO findings and recommendations. Conrail agreed that improvements were needed and cited its efforts to reduce the number of inventory control points. Conrail did not agree with the GAO gross variance method of inventory analysis and did not indicate that it would adopt the GAO recommendation to revise its organizational structure so that users and custodians of materials are in the same department.

Appropriations

Payments for purchase of Conrail securities - United States Railway Association

Appropriations Committee Issues

Adoption of the GAO recommendations would save money, but it is not clear whether Conrail will need additional Federal subsidies. Accordingly, the effect on Federal expenditures is not clear.

DEPARTMENT OF TRANSPORTATION

DOT Should Terminate Further LORAN-C Development and Modernization and Exploit the Potential of the NAVSTAR/Global Positioning System

(MASAD-81-42, 9-18-81)

Budget Function: Transportation: Water Transportation (0403)

GAO performed a follow-up review of a previous report which concluded that the Department of Defense's satellite-based NAVSTAR/Global Positioning System (GPS) could be a national asset and could replace many existing navigation systems at substantial savings. The report considered these systems, including the Department of Transportation's (DOT) LORAN-C system, to be unneeded by the early 1990's and cautioned against further investment in LORAN-C. It also recommended that the Secretary of Transportation become more involved in the GPS program to ensure the timely availability of low-cost civil receivers.

Findings/Conclusions: DOT has continued to develop, expand, and improve navigation systems which GPS could replace. Further, DOT has devoted little effort to evaluating the GPS capability as a marine and land navigation system and has not initiated a program to develop and demonstrate the technology necessary to ensure the availability of low-cost receivers for marine and land users. More specifically, GAO found that the Coast Guard: (1) plans to make a recommendation in 1982 to the Secretary of Transportation which should clarify the future role of GPS versus LORAN-C without adequately developing the technology necessary to ensure the availability of low-cost GPS receivers that are essential to effect widespread acceptance of GPS by the civil marine community; (2) plans to continue operating LORAN-C until at least the year 2000 although GPS is scheduled to provide coverage equivalent to LORAN-C as early as 1986; and (3) plans to spend at least $25 million to replace certain existing LORAN-C transmitters without adequately demonstrating either the need for or the cost effectiveness of the replacement.

Recommendations: The Secretary of DOT should direct the Coast Guard to discontinue developing and demonstrating new and additional LORAN-C marine applications which GPS has the potential to satisfy and to focus efforts and resources on developing and demonstrating the GPS potential as a marine navigation system, especially the low-cost GPS user equipment technology essential to civil acceptance and use of GPS. THe Secretary of DOT should direct the Coast Guard to develop a tentative timetable to phase out LORAN-C by the early 1990's and, if the DOT preliminary decision in 1983 supports GPS, inform the public at that time of this tentative timetable so as to allow users to make informed decisions on replacing current LORAN-C receivers. The Secretary of DOT should direct the Coast Guard to terminate its planned replacement of certain existing LORAN-C vacuum-tube transmitters with new solid-state transmitters unless the Coast Guard can validly demonstrate on a station-by-station basis that this upgrade will be cost effective by the early 1990's.

Agency Comments/Action

DOT did not agree that LORAN-C could be phased out by the early 1990's. It also commented that replacement of the vacuum-tube transmitters is necessary to provide reliable LORAN-C service through the late 1990's.

Appropriations

LORAN-C - Department of Transportation, United States Coast Guard

Appropriations Committee Issues

The Committees should continue to closely examine future Coast Guard budget requests in order to prevent the unnecessary expenditure of funds on further LORAN-C development and modernization. Because GPS can potentially replace LORAN-C in the early 1990's, the Committees should determine whether DOT is devoting sufficient resources to exploit GPS and assure wide civilian applicability and acceptance of GPS.

DEPARTMENT OF TRANSPORTATION

CIVIL AERONAUTICS BOARD
FEDERAL AVIATION ADMINISTRATION

Aircraft Delays at Major U.S. Airports Can Be Reduced (CED-79-102, 9-4-79)

Budget Function: Transportation: Air Transportation (0405)
Legislative Authority: Airline Deregulation Act of 1978 (P.L. 95-504; 92 Stat. 1705). National Environmental Policy Act of 1969. Federal Aviation Act of 1958 (49 U.S.C. 1301). Airport and Airway Development Act of 1970 (49 U.S.C. 1701). 14 C.F.R. 93.121. Aircraft Owners and Pilots Ass'n v. Port Authority of New York, 305 F. Supp. 93 (E.D. N.Y. 1969). Aircraft Owners and Pilots Ass'n v. Volpe (D. D.C. 1969). H. R. 3745 (96th Cong.). 49 U.S.C. 1348.

In 1977, aircraft delays caused U.S. airlines to use an additional 700 million gallons of fuel which is over 8 percent of their total consumption, detained travelers 60 million hours, and cost the airlines over $800 million.

Findings/Conclusions: The delays can be reduced if runway capacity at major airports is used more efficiently by shifting air traffic from peak to off-peak periods or to other airports. Peak hour pricing, charging aircraft a premium to land and take off during peak periods, should reduce delays considerably. Quotas have succeeded in reducing delays by limitng the number of aircraft operations during congested periods. Reliever airports would relieve congestion at major airports by accommodating general aviation traffic now using congested major airports.

Recommendations: The Secretary of Transportation should use peak surcharges and/or quotas to implement the new subsection of the Federal Aviation Act of 1958. To better evaluate the effectiveness of the Airport Development Aid Program (ADAP) funding and to help set priorities, the Secretary should also develop a method which will enable reliever airport operators to determine to what extent their proposed improvements will help reduce congestion and delay at major airports. To reduce aircraft delays, it is recommended that Congress direct the Secretary of Transportation to decrease air traffic during congested periods at major U.S. airports. This could be accomplished by adding a new subsection to section 307 of the Federal Aviation Act of 1958 as follows: In the exercise of authority under subsections (a), (b), and (c) of this section, the Secretary of Transportation is authorized and directed to implement procedures, including the imposition of reasonable charges, which will decrease air traffic in the airspace or in the vicinity of any airport at which the Secretary determines that such procedures are necessary to reduce congestion. To help in the continued operation of privately owned reliever airports, Congress should make them eligible for ADAP. This could be done by amending section 14(a) of title 1 of the Airport and Airway Development Act of 1970 to read "public-use" in lieu of "public" in the first sentence, and by amending the last sentence of section 15(a) to read: $18,750,000 of the amount made available for fiscal year 1976, including such period, and $15,000,000 of the amount made available for each of the other fiscal years shall be distributed at the discretion of the Secretary to reliever airports including privately-owned reliever airports.

Agency Comments/Action

The Department of Transportation concurred with the GAO recommendations to Congress. The Department disagreed that a method should be developed to identify to what extent proposed federally funded reliever airport improvements would help reduce congestion. The Civil Aeronautics Board stressed the advantages of peak hour pricing over quotas. The Board supported the GAO conclusion that reliever airports are important and suggested that some portion of the revenues derived from peak hour pricing could be used to help develop relievers.

Appropriations

Operations and airport development (trust fund) - Department of Transportation
Federal aviation administration operations - Civil Aeronautics Board

Appropriations Committee Issues

H.R. 2643 was approved on May 18, 1981, by the House Committee on Public Works and Transportation. This bill includes a provision that airport development and planning funds may be used at privately-owned reliever airports. The Committees need to maintain oversight over Federal Aviation Administration activity in developing privately owned reliever airports.

DEPARTMENT OF TRANSPORTATION

FEDERAL AVIATION ADMINISTRATION

Contract Overpriced and Established Pricing Regulations and Procedures Not Followed (MASAD-81-16, 3-5-81)

Budget Function: Procurement--Other Than Defense (1007)

GAO reviewed a contract which was awarded to Raytheon Company by the Federal Aviation Administration as part of a nationwide review of the pricing of negotiated noncompetitive contracts awarded by civil agencies. The contract provided for the purchase of multiple pieces of contract-related equipment and revisions of test procedures and miscellaneous documentation. The objective of the review was to determine whether Federal Procurement Regulations were followed in negotiating the contract price and whether the contract price negotiated was reasonable in relation to cost or pricing data available to the contractor at the time of contract negotiation.

Findings/Conclusions: In the opinion of GAO, the contract was overpriced. The contract price was increased during negotiations by more than 9 percent to compensate Raytheon for a decrease in the number of pieces of equipment to be purchased. An increase of less than 4 percent would have been more appropriate. The additional overpricing was due to the use of noncurrent prices and quotes, the inclusion of duplicate parts in the proposal, and questionable judgment in the selection of a power supply vendor.

Recommendations: The Secretary of Transportation should (1) emphasize to contracting officials the importance of established regulations in obtaining, reviewing, and using cost or pricing data in negotiating noncompetitive contract prices and documenting contract negotiations files; and (2) require the contracting officer to consider this information presented in this report along with any other pertinent information and determine if the Government is entitled to a contract price reduction.

Agency Comments/Action

The Department of Transportation recovered about $32,000 of overpricing.

Appropriations

Procurement - Department of Transportation, Federal Aviation Administration

DEPARTMENT OF TRANSPORTATION

FEDERAL AVIATION ADMINISTRATION

Review of DOT's Response to Recommendations in the Senate Report on FAA's En Route Air Traffic Control Computer System

(AFMD-81-66, 6-1-81)

Budget Function: Automatic Data Processing (1001)

GAO analyzed the Department of Transportation (DOT)/Federal Aviation Administration (FAA) response to the nine recommendations in a Senate report.

Findings/Conclusions: In its report, the Senate investigations staff found serious management and planning deficiencies in the FAA en route air traffic control computer system. FAA was directed to respond to the report's recommendations by specified milestone dates because concern was expressed that the deficiencies could degrade the operation of the en route system to unacceptable levels. DOT has neither fully nor adequately addressed the recommendations and milestones in the report. Certain recommendations were inadequately addressed, while some were ignored or not responded to by the established milestones.

Recommendations: The Senate and House Committees on Appropriations should direct the Administrator of FAA to take the recommended actions in the Committee of Conference report by the established milestone dates. The Secretary of Transportation should direct the Administrator of FAA to fully and completely respond to all recommendations and milestones in the Committee of Conference report.

Agency Comments/Action

A letter was transmitted on July 22, 1981, by the FAA administrator to seven individual members of the House and Senate. The letter answers several of the Senate report's recommendations and contains a schedule for responding to the balance of them.

Appropriations

Air traffic control (en route) - Department of Transportation, Federal Aviation Administration

Appropriations Committee Issues

The Committees should consider the en route computer control system and proposed replacement computer system.

DEPARTMENT OF TRANSPORTATION

FEDERAL AVIATION ADMINISTRATION

Review of DOT's Response to Recommendations in the Senate Report on FAA's En Route Air Traffic Control Computer System

(AFMD-81-67, 6-1-81)

Budget Function: Automatic Data Processing (1001)

GAO analyzed the Department of Transportation (DOT)/Federal Aviation Administration (FAA) response to the nine recommendations in a Senate report.

Findings/Conclusions: In its report, the Senate investigations staff found serious management and planning deficiencies in the FAA en route air traffic control computer system. FAA was directed to respond to the report's recommendations by specified milestone dates because concern was expressed that the deficiencies could degrade the operation of the en route system to unacceptable levels. DOT has neither fully nor adequately addressed the recommendations and milestones in the report. Certain recommendations were inadequately addressed, while some were ignored or not responded to by the established milestones.

Recommendations: The Senate and House Committees on Appropriations should not accept the DOT reply as fully responsive to the Senate report, and they should so inform DOT. The FAA should immediately reformulate its response to the Senate and House Committees on Appropriations and comply with the Senate Committee's direction.

Agency Comments/Action

On July 22, 1981, a letter was transmitted to seven individual Members of the House and Senate. The letter answered several of the Senate Report's recommendations and contains a schedule for responding to the balance of them. In another letter dated September 15, 1981, the FAA Administrator provided more data on FAA actions to the Senate report. However, due to the air traffic controller job action, the complete FAA response will be delayed until November 1981.

Appropriations

Air traffic control (En Route) - Department of Transportation, Federal Aviation Administration

Appropriations Committee Issues

The Committees should consider the FAA En Route Air Traffic Control Computer system and the proposed Automated En Route Air Traffic Control (AREA) replacement computer system.

DEPARTMENT OF TRANSPORTATION

FEDERAL AVIATION ADMINISTRATION

FAA Misses Opportunities To Discontinue or Reduce Operating Hours of Some Airport Traffic Control Towers (CED-81-100, 6-1-81)

Budget Function: Transportation: Air Transportation (0402)

The Federal Aviation Administration (FAA) has not taken effective action to discontinue economically unjustified airport traffic control towers or to reduce the operating hours of control towers which meet the criteria for reduced operations. GAO reviewed these actions in the interest of identifying ways in which economies could be achieved by FAA in providing air traffic control services to the Nation.

Findings/Conclusions: FAA does not have uniform discontinuance criteria for the control towers it operates to control traffic in and around airports. FAA operates 444 towers at a cost of over $400 million a year. In 1969 and again in 1975, FAA revised its criteria for use in identifying control towers for discontinuance. With each revision, the criteria became more stringent. However, FAA also established grandfather clauses by making the more stringent 1975 criteria, which included a benefit-cost analysis, applicable only to towers established or approved for establishment during or after 1977. This lack of uniform criteria has resulted in the continued operation of economically unjustified control towers. FAA could save an average of $287,000 annually for each tower the agency closed. FAA is not surveying air traffic activity levels at some 24-hour control towers to identify possible reductions in hours of operation. Two regional offices had not conducted any surveys since 1977. When surveys were conducted and candidates were identified in the three regions reviewed, FAA seldom completed or documented additional required evaluations. GAO surveyed 17 control towers, 16 of which had traffic levels identifying them as candidates for reduced operating hours according to the FAA criteria. FAA could save salary and other costs of $47,000 annually at each control tower at which operating hours were reduced.

Recommendations: The Secretary of Transportation should require the Administrator of FAA to institute procedures to ensure that the criteria are applied periodically and that discontinuance of candidate towers is actively pursued. The Secretary of Transportation should require the Administrator of FAA to survey activity levels of 24-hour control towers to identify candidates for reduced operating hours. The Secretary of Transportation should require the Administrator of FAA to document and clearly justify the decisions made as a result of the staff studies. The Secretary of Transportation should require the Administrator of FAA to establish time limits for completing required staff studies to determine whether candidates can be safely and efficiently part-timed. The Secretary of Transportation should require the Administrator of FAA to identify control tower candidates for discontinuance by adopting uniform criteria which require (1) an economic analysis based on up-to-date benefits and costs and (2) consideration of noneconomic factors, such as topography or the frequent occurrence of severe weather at each airport.

Agency Comments/Action

The Department is in full agreement with the GAO recommendations except for establishing time limits for completing staff studies to determine candidates for part-timing. A proposed change to Airway Planning Standard Number One (FAA Order 7031.2B) will eliminate the grandfather clause from the tower discontinuance criteria. Benefit/cost values have been revised for both continuance and discontinuance criteria, and provision is being made for recurring update of the values. The new criteria require annual submission to headquarters for screening data on identified discontinuance candidates. An FAA review has identified 124 potential candidates for part-timing. Additional traffic data will be reviewed at each facility to determine whether criteria have been met and the recommendation that should be made to the Administrator.

Appropriations

Operations - Department of Transportation, Federal Aviation Administration

Appropriations Committee Issues

Reduced funding can be achieved if FAA is responsive to the recommendations. The Committees should be supportive and protective of FAA efforts to achieve economy and efficiency of the operation of the air traffic control system because significant opposition is expected from the public and private sectors when final decisions are made to close specific facilities or make them part time.

DEPARTMENT OF TRANSPORTATION

FEDERAL HIGHWAY ADMINISTRATION

Excessive Truck Weight: An Expensive Burden We Can No Longer Support (CED-79-94, 7-16-79)

Budget Function: Transportation: Ground Transportation (0404)
Legislative Authority: Federal-Aid Highway Act of 1978.

The Nation's highways are deteriorating at an accelerated pace and sufficient funds are not available to cope with current needs or meet future requirements. Many factors that cause highway deterioration are not readily controllable, however, excess truck weight can be controlled. While strictly enforcing weight laws would not eliminate deterioration, it would substantially reduce the rate.

Findings/Conclusions: National statistics show that at least 22 percent of all loaded tractor-trailers exceed state weight limits. This percentage is even higher for other types of large trucks. Although the Department of Transportation (DOT) supported the 1975 increased Federal weight limits, it has no program sufficient to offset related increased costs to preserve the quality of the highways. While the 1975 weight increases were made to save fuel for heavy trucks, all vehicles use more fuel on deteriorated roads, heavier trucks use more fuel, and additional highway repairs require more fuel. DOT has not determined whether there has been an overall fuel saving since the higher limits were allowed. A good weight enforcement program requires effective enforcement techniques, stringent penalties, and adequate staff and funds. States need standards to evaluate their program to enforce weight limits that will enable them to identify problems and reliable alternative solutions.

Recommendations: The Secretary of DOT should include the following in the weight limit study: determine the net fuel consumption resulting from the impact of heavier truck weights; identify the economic effect of changes in weight laws, the cost and benefits, who will pay the costs, and who will receive the benefits; and determine the impact of any weight limit change on the current highway user tax structure and what changes may be needed to assure equitable allocation of costs. The Secretary should direct the Federal Highway Administrator to: establish criteria for evaluating weight enforcement certifications and programs that will assure as much uniformity as practical; develop, in coordination with each State, a long-range plan for improving enforcement programs; develop a State model program to include those State enforcement elements that constitute an effective legal framework to provide viable alternatives to apprehend violators and deter overweight operations; establish a permanent national weight enforcement operating group within the Federal Highway Administration to administer the certification requirement and act as a focal point for gathering and disseminating information; and develop criteria for using Federal funds to construct permanent scales to insure effective placement and operation of these facilities. Congress should amend highway legislation to make Federal weight limits also apply to noninterstate Federal-aid highways in all States; terminate current exceptions in Federal law that allow higher limits on some interstate highways; and prohibit overweight permits and exemptions when loads can be reduced to meet normal State weight limits. The Director, Office of Management and Budget, should develop cooperatively with DOT policies prohibiting Federal agencies from shipping or receiving goods in trucks which exceed State weight laws.

Agency Comments/Action

The Federal Highway Administration has pledged to implement most of the recommendations. They are working to strengthen their criteria for evaluating State weight enforcement programs and have agreed to develop a model enforcement program. While not yet agreeing to establish a small enforcement group at headquarters, it has established organizational responsibility in its field offices. The Highway Administration also has agreed to establish criteria for optimally locating truck weighing scales, provide the Congress interim findings on truck safety, and evaluate the long-term economies of heavier trucks. It did not, however, agree to analyze State-provided data to provide States indications of those types of vehicles most likely to exceed State weight limits.

Appropriations

Federal aid to highways - Department of Transportation, Federal Highway Administration

Appropriations Committee Issues

The Committees should examine the Highway Administration's request for funds to restore Federal-aid highways because currently available State and Federal funds are not sufficient to slow the rate of highway deterioration.

DEPARTMENT OF TRANSPORTATION

FEDERAL HIGHWAY ADMINISTRATION

Deteriorating Highways and Lagging Revenues: A Need To Reassess the Federal Highway Program (CED-81-42, 3-5-81)

Budget Function: Transportation: Ground Transportation (0401)
Legislative Authority: Federal Aid Roads Act. Federal Aid Highway Act of 1970. Federal Aid Highway Act of 1976. Federal Aid Highway Act of 1978. Highway Safety Act of 1976 (P.L. 94-280).

A review was conducted of recent trends in State and Federal highway financing, the effects of these trends on State highway programs, and the actions taken or proposed to obtain additional financing.

Findings/Conclusions: The condition of U.S. highways has been deteriorated. The interstate system has seen the most serious decline with its percentage of miles in poor condition doubling from 1975 to 1978. Billions of dollars will be needed to preserve these roads and, unless timely action is taken, even more money will be needed for reconstrcution. Additional billions will be required to complete the interstate system. Increased costs and lagging State and Federal revenues have compounded the problem. The States have taken various actions to increase highway revenues, but there has been little action to increase Federal highway taxes.

Recommendations: Congress should reassess the Federal-Aid Highway Program, giving consideration to priority needs and funding levels. Specifically, Congress should address: (1) giving priority to preserving existing highways with emphasis on the interstate system; (2) determining whether the current preservation policy needs to be modified to ensure that necessary resurfacing, restoration, and rehabilitation work on Federal-aid highways is carried out; (3) eliminating preservation funds from sanctions; (4) assessing the goal of interstate completion as currently defined, possibly giving priority to funding essential gaps; (5) analyzing State efforts and capabilities to increase highway revenues and to preserve highways; (6) using highway revenues to fund the Federal-Aid Highway Program; and (7) revising the Federal motor fuel tax and other highway revenue sources to be more responsive to highway needs and the inflationary trends in highway costs. The Secretary of Transportation should submit a legislative proposal to exempt preservation-type projects from the sanctions. The Secretary of Transportation should modify the basis for imposing maintenance sanctions to include the failure to perform routine preventive maintenance on a continual and timely basis and not solely when roads become unsafe or unserviceable.

Agency Comments/Action

Legislation has been introduced for congressional action which would address each of the report's recommendations to Congress. The agency has submitted a legislative proposal which would make the application of sanctions less disruptive to a State's preservation-type projects but would not exempt those projects as recommended. Further, the agency has not agreed to modify the basis for imposing maintenance sanctions to include the failure to do timely and continual preventive maintenance.

Appropriations

Federal highways - Department of Transportation

Appropriations Committee Issues

The Committees should examine the Federal Highway Administration's efforts to assure that States are adequately maintaining their highways when considering funding to restore highways.

DEPARTMENT OF TRANSPORTATION

FEDERAL HIGHWAY ADMINISTRATION

Better Targeting of Federal Funds Needed To Eliminate Unsafe Bridges (CED-81-126, 8-11-81)

Budget Function: Transportation: Ground Transportation (0401)
Legislative Authority: Federal Aid Highway of 1968 (P.L. 90-495; 82 Stat. 815). Federal Aid Highway Act of 1970 (P.L. 91-605; 84 Stat. 1713). Federal Aid Highway Act of 1973 (P.L. 93-87; 90 Stat. 425). Surface Transportation Assistance Act of 1978 (P.L. 95-599; 92 Stat. 2689). 23 C.F.R. 650.

In response to a congressional request, GAO reviewed the National Bridge Inspection Program and the Highway Bridge Replacement and Rehabilitation Program and found that almost 4 out of every 10 bridges in the United States are deficient, and almost one-fifth of U.S. bridges are structurally weak or unsound and must be closed, restricted to lighter vehicles, or immediately rehabilitated to prevent further deterioration or collapse. The Federal Government has become the major source of funds, particularly through the Federal bridge programs, to replace or rehabilitate deficient bridges, and many State and local governments depend heavily on these funds. Under the bridge programs, the Federal Government contributes up to 80 percent of replacement or rehabilitation costs, and State and/or local governments provide the rest.

Findings/Conclusions: At current funding levels, it will take years to eliminate the deficient bridges already identified. In view of the size of the bridge problem and the limited amount of funds available, it is essential that program funds be used for bridges most in need. However, GAO found that: (1) the Federal Highway Administration's (FHWA) project eligibility criteria do not concentrate on bridges in the worst condition and most in need; (2) many worthy projects are funded, but bridges most in need are not always selected; and (3) funds have been apportioned to the States based on incomplete needs data. The major aspect of the National Bridge Inspection Program is that State and/or local governments maintain a bridge inventory and comply with inspection standards. GAO found that State and local governments have made progress since the program's start, but they are not fully complying with the standards. For example: (1) some inspectors do not meet the minimum qualifications for training and experience; (2) some State and local governments are not inspecting their bridges at least every 2 years as required by the standards, and some local governments are not inspecting their bridges at all; (3) the initial inventory and inspection of bridges, particularly bridges off the Federal-aid highway system, has not been completed; and (4) structurally weak bridges are not always being properly closed or posted for lower weight limits to protect against bridge collapses. Even if bridges are properly posted or closed, the postings and closings are often ignored by the public.

Recommendations: Congress should, in future bridge program authorizations, have the Secretary of Transportation use the latest available needs data, including off-system bridges and culverts eligible for the program, to annually revise the allocations to the States. Congress should consider allowing the States greater flexibility to address severe off-system bridge problems by using more than 35 percent of the bridge funds for off-system bridges. Congress should require Federal agencies that own bridges to comply with the National Bridge Inspection Standards and report bridge data to the national bridge inventory for monitoring by FHWA. The Secretary of Transportation should direct the Adminstrator of FHWA to develop a reasonable method to establish width data for culverts that are eligible for bridge program funds, but have not been included in the needs data used to establish funding apportionments because the width is not in the national inventory. The Secretary of Transportation should direct the Administrator of FHWA to define "fair and equitable distribution throughout the State" and formally monitor distribution of funds within the States. The Secretary of Transportation should require the Administrator of FHWA to revise the project eligibility criteria for the Federal bridge program to concentrate on bridges in the worst condition and most in need of replacement or rehabilitation, but still provide some flexibility for State and local governments. The Secretary of Transportation should require the Administrator of FHWA to develop a formal selection process for discretionary projects to properly weigh factors such as sufficiency ratings, costs, and benefits. The Secretary of Transportation should direct the Administrator of FHWA to assess the States' and local governments' compliance with the National Bridge Inspection Standards and develop a strategy for bringing about full compliance. As part of the assessment, the Administrator should determine (1) whether any of the requirements should be strengthened or lessened, (2) whether FHWA should encourage State Governments to assume authority for off-system inspections, and (3) the need to penalize or take other action against those governments that do not comply. The Secretary of Transportation should direct the Administrator of FHWA to increase efforts to ensure that the national bridge inventory is complete, accurate, and current and that inspection procedures and bridge ratings are consistent. At a minimum, these efforts should include (1) more FHWA monitoring, including a greater number of FHWA Bridge Division and regional office management reviews, (2) development of a standard for the timely processing of inspection data, and (3) more descriptive and better defined bridge condition rating codes to be used in all of the States. The Secretary of Transportation should direct the Administrator of FHWA to specifically consider encouraging States to (1) give State government agencies the authority for posting and closing of local government bridges, (2) increase weight limit enforcement efforts, (3) increase penalties for violating weight limits and vandalizing posting signs, and (4) establish public information programs to inform the public about the danger of violating bridge weight limitations and removing posting signs. The Secretary of Transportation should direct the FHWA Administrator to take appropriate actions to ensure that the national bridge inventory data are accurate and adequate so that FHWA can properly monitor bridge postings and closings.

Agency Comments/Action

The agency has 60 days to comment. As yet, no comments have been received.

Appropriations

Bridge program - Department of Transportation, Federal Highway Administration

Appropriations Committee Issues

The Federal Highway Administration estimates that it will cost $41.1 billion to replace or rehabilitate the deficient bridges in the Nation. Currently, the program has been funded at about $1 billion per year. Bridges with the greatest need are not always being funded. The apportionment process is using incomplete data while more current data are available.

DEPARTMENT OF TRANSPORTATION

FEDERAL HIGHWAY ADMINISTRATION
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION

Highway Safety Grant Program Achieves Limited Success
(CED-81-16, 10-15-80)

Budget Function: Transportation: Ground Transportation (0401)
Legislative Authority: Highway Safety Act of 1966 (23 U.S.C. 401 et seq.).

In 13 years, the Department of Transportation (DOT) has spent nearly $1.3 billion in Federal grant funds to help carry out State highway safety programs designed to reduce traffic accidents, deaths, injuries, and property damage.

Findings/Conclusions: GAO found that the Highway Safety Grant Program has addressed a multitude of safety activities that may not have been the most effective, because of the changing, and sometimes conflicting, directions from legislation, DOT, and the States. This situation is further complicated because few highway safety projects have yet been shown to have a positive or lasting effect on accident reductions. Conversely, many measures that are believed to contribute significantly to highway safety have not been implemented, or have been implemented incompletely, inefficiently, or only temporarily by the States.

Recommendations: Should Congress decide to retain the Safety grant program under DOT administration, the program's effectiveness could be improved by strengthening the DOT leadership role and administrative authority. This alternative, however, would limit State safety agencies' ability to spend Federal funds for practically any safety-related projected. Congress could decide to discontinue the safety grant program. Since 1975-76, when the lowest fatality and fatality rate reductions were achieved, annual losses have climbed despite a dramatic increase in Federal funding. In the last two years, fatalities have exceeded the level reached before the safety grant program began. Under this alternative, Congress would need to amend the Highway Safety Act of 1966 to eliminate the safety grant program funded under section 402. Should Congress decide to retain the safety grant program in a more efficient manner, it could be funded directly through the State highway safety agencies. Establishing a directly funded grant program would eliminate many of the burdensome administrative requirements that are now part of the safety program. At the same time, however, Federal oversight of the spending of funds would be weakened. Detailed NHTSA and FHWA assistance would not be needed, but general program criteria to guide the spending of funds could be provided in the legislation. The Secretary of Transportation should work with State safety agencies to ensure that the criteria are followed. The Secretary of Transportation should establish criteria that describe how much problem identification and data analysis the States need to address their safety problems and to evaluate results. The Secretary of Transportation should develop a plan that outlines what safety evaluations will be performed to determine the effectiveness of funded activities and establish a method for coordinating those evaluations among State safety agencies to avoid duplicating efforts. The Secretary of Transportation should establish a method for disseminating successful as well as unsuccessful project evaluation results among all State safety agencies and require that these results be considered before funding future safety projects.

Agency Comments/Action

DOT disagreed with some of the report's findings and conclusions but agreed with the need to make improvements in those areas covered by GAO recommendations. DOT believes that it already has criteria in place for problem identification, but the process is undergoing review to determine further refinements to that criteria. Further, the National Highway Traffic Safety Administration is surveying all State program evaluations in progress and plans to issue a report on evaluation needs based on its findings. The Administration will also provide a clearinghouse for State evaluation results and will issue periodic reports of State evaluation research beginning in fiscal year 1981.

Appropriations

Surface transportation - Department of Transportation, National Highway Traffic Safety Administration and Federal Highway Administration

Appropriations Committee Issues

The Committees should ascertain how DOT is refining its problem identification criteria and how the State highway safety agencies are being affected by the refinements. Further, the Committee should determine if the National Highway Traffic Safety Administration has been able to identify successful as well as unsuccessful, safety projects by surveying States' evaluation efforts.

DEPARTMENT OF TRANSPORTATION

FEDERAL HIGHWAY ADMINISTRATION
URBAN MASS TRANSPORTATION ADMINISTRATION

Increasing Commuting by Transit and Ridesharing: Many Factors Should Be Considered (CED-81-13, 11-14-80)

Budget Function: Transportation: Ground Transportation (0401)

In the name of energy efficiency and conservation, the Department of Transportation (DOT) proposed a program to expand mass transit capacity and transit commuting. In addition, DOT proposed a new funding source for ridesharing as part of the Department's efforts to double the number of commuters who carpool and vanpool. The proposals would be financed by revenues from the oil windfall profits tax.

Findings/Conclusions: DOT is advocating a combined Federal and local 10-year capital investment in mass transit of about $53 billion to increase transit capacity and ridership by 50 percent by 1990. Transit capacity expansion can provide benefits in terms of less congestion and pollution, employment opportunities, and urban revitalization. However, GAO is concerned that the decision to support transit expansion is being unduly influenced by the energy situation and the availability of windfall profits tax revenues and that not enough consideration has been given to potential adverse impacts of transit expansion on transit operating costs, deficits, and subsidies. Although the Federal Government has advocated greater use of ridesharing, progress has been slow in getting drive-alone commuters to switch to ridesharing.

Recommendations: Congress should consider the full cost impact of a large transit capacity expansion along with the types and magnitude of benefits that are likely to be realized in deciding what level of support, if any, to provide for such expansion. Congress should consider separate Federal funding of ridesharing activities because (1) separate Federal funding should help overcome State and local government reluctance to fund ridesharing activities since they would not be competing for Federal funds with the more conventional highway and transit projects that have strong local constituencies; (2) ridesharing is the only practical alternative to driving alone for most commuters; (3) if serious gasoline shortages occur, ridesharing would have to become the predominant commuting mode; and (4) doubling ridesharing would save at least three times as much energy as a fifty percent increase in transit commuting. It would also remove about nine million automobiles daily from commuter traffic, avoid the exhaust emissions that nine million daily round trips would produce, and make use of available space in automobiles already on the road.

Agency Comments/Action

Congress did not enact the proposed legislation discussed in the GAO report (S. 2720 and H.R. 6417). Congressional action on new mass transit legislation is not expected until after the fiscal year 1982 budget is enacted.

Appropriations

Federal aid to highways - Department of Transportation, Federal Highway Administration

Urban Mass Transportation Fund - Department of Transportation, Urban Mass Transportation Administration

Appropriations Committee Issues

The Committees should determine that the Department is giving adequate consideration to the related costs and benefits of funding transit expansion and increased ridesharing activities.

DEPARTMENT OF TRANSPORTATION

FEDERAL HIGHWAY ADMINISTRATION
URBAN MASS TRANSPORTATION ADMINISTRATION

Transportation Contingency Plans for Future Gas Shortages Will Not Meet Commuter Needs (CED-81-79, 7-1-81)

Budget Function: Transportation: Ground Transportation (0401)
Legislative Authority: Flexible and Compressed Work Schedules Act (5 U.S.C. 1601). Emergency Energy Conservation Act of 1979 (42 U.S.C. 8501). 10 C.F.R. 477.

GAO reviewed transportation contingency planning and discussed the need for new efforts to assure that all areas of the country will be adequately prepared to maintain mobility during gasoline shortages.

Findings/Conclusions: The transportation disruptions caused by the gasoline shortages experienced in the 1970's illustrate the need to develop transportation contingency plans. GAO found that few areas have completed such plans, and progress in contingency plan development has slowed down. Regional contingency plans can help people identify and adopt alternative travel modes. Contingency strategies can include actions to: (1) inform people about the use of alternatives to driving alone in a private automobile; (2) increase the capacity of mass transit systems; (3) increase ridesharing by promotional activities; and (4) encourage the adoption of alternative work hour programs that reduce or spread the peak hour demand for mass transit services and that facilitate ridesharing. Factors which contributed to delays in regional contingency plan development include: (1) lack of Department of Transportation guidance; (2) lack of information about possible Federal and State actions; and (3) confusion about the relationship of these contingency plans with State emergency energy conservation plans developed by transit systems. Contingency plans in some areas will have limited impact because of the limited capacity of transit systems to effectively implement necessary actions. A regional approach to contingency planning could develop the cooperation needed for implementation although unresolved obstacles will hamper the implementation of some planned actions.

Recommendations: The Secretary of Transportation should provide guidance on the relationship between contingency plans and State emergency energy conservation plans. The Secretary of Transportation should develop specific criteria on what regional contingency plans should contain, what types of strategies are appropriate for each level of energy shortfall, and the acceptable periods of time needed to implement contingency actions. The Secretary of Transportation should work with the Department of Energy to develop specific information on potential shortfalls of petroleum supplies and the impact of shortfalls on the availability of gasoline to motorists, and provide more information to local planners on the ranges of shortfalls for which they should be developing contingency actions and the Federal actions that could be expected for given shortages. The Secretary of Transportation should establish a required review process for all contingency plans developed using DOT funding and develop procedures to inform metropolitan planning organizations of inadequacies and assist them in correcting their planned strategies.

Agency Comments/Action

The Department of Transportation agreed that it might appropriately provide more information on potential shortfalls and the range of shortfalls that planners might expect and indicated that it will work with the Department of Energy to make additional information available. While the Department agreed with the recommendation that it provide guidance on the relationship between regional contingency plans and State emergency energy conservation plans, it believes that the Federal Government should not provide specific guidance as to the means to accomplish local conservation objectives. The Department also indicated that it is completing a study which will provide guidelines to help local agencies improve their plans. The Department disagreed with the recommendations that it develop criteria on what the plans should contain and establish a review process for the plans because it believes that such actions would give the Federal Government too dominant a role in local planning for energy emergencies. The Department believes that such actions would be inappropriate because the National Energy Policy Plan places emphasis on market forces and local government action.

Appropriations

Urban transportation planning - Department of Transportation, Urban Mass Transportation Administration
Urban transportation planning - Department of Transportation, Federal Highway Administration

Appropriations Committee Issues

The Committees may want to consider actions to overcome the resistance to contingency planning at the local level since the Department of Transportation's efforts to encourage the voluntary development of these plans have had only limited success. Such actions could include making funding specifically available for contingency planning or requiring an approved contingency plan as a condition for receiving any Federal transportation assistance.

DEPARTMENT OF TRANSPORTATION

NATIONAL RAILROAD PASSENGER CORPORATION (AMTRAK)

Further Improvements Are Needed in Amtrak's Passenger Service Contracts, But They Won't Come Easily (CED-81-35, 1-7-81)

Budget Function: Transportation: Ground Transportation (0401)
Legislative Authority: Rail Passenger Service Act of 1970. P.L. 93-496.

Pursuant to Federal law, the annual performance audit of the National Rairoad Passenger Corporation (Amtrak) was conducted. Amtrak's policies for developing contracts with other railroads for services which Amtrak needs to operate passenger trains were examined.

Findings/Conclusions: Amtrak has now taken over direct operation of many of its functions, but it still must obtain many services from other railroads. The railroads provide train and engine crews for all Amtrak trains, provide and maintain tracks, do routine inspection and servicing of equipment, and provide other services and facilities. Amtrak has not been able to obtain railroad consent on revisions of existing agreements in order to better encourage on-time performance, including arrivals at intermediate points. Many railroads believe that they are held accountable for delays that are beyond their control, and do not want to accept additional risks unless they are well compensated. In addition to its contract revision efforts, Amtrak has sought relief in a few instances by going to court and to the Interstate Commerce Commission (ICC) to settle disputes with the railroads.

Recommendations: The President of Amtrak should, if actions to obtain improvements in passenger service contracts fail after reasonable time and effort, seek guidance from Congress. The President of Amtrak should attempt to improve passenger service contracts with other railroads by adopting a policy of including provisions in the contracts for changing flat rates during the contract period under specified conditions. Such conditions would include situations where the rates were initially set too high and other situations where substantial differences between incremental costs and flat rates are caused by factors other than railroad mismanagement or cost-cutting efforts. The President of Amtrak should try to obtain needed improvements in passenger service contracts with other railroads by taking additional cases to the Interstate Commerce Commission in which Amtrak is unable to obtain railroad agreement on incentives for meeting intermediate point schedules and penalties designed to encourage good performance and cost restraint.

Agency Comments/Action

Amtrak officials seem to be trying to adopt the recommendations as they renegotiate passenger service contracts, but it is too early to determine their effectiveness.

Appropriations

National Railroad Passenger Corporation (AMTRAK) Grants - Department of Transportation, Federal Railroad Administration

DEPARTMENT OF TRANSPORTATION

UNITED STATES COAST GUARD

The Coast Guard--Limited Resources Curtail Ability To Meet Responsibilities (CED-80-76, 4-3-80)

Budget Function: Transportation: Water Transportation (0403)
Legislative Authority: Outer Continental Shelf Lands Act Amendments of 1978 (P.L. 95-372; 92 Stat. 629). Port and Tanker Safety Act of 1978 (P.L. 95-474; 92 Stat. 1471).

In recent years, Congress has given the Coast Guard new duties, such as oilspill prevention and cleanup, and enforcement of fisheries and drug laws. However, the Coast Guard's budget has not grown to meet its needs for additional staff and vessels. Moreover, some Coast Guard shore facilities are inadequate. Consequently, the Coast Guard will have problems effectively carrying out its responsibilities in the 1980's.

Findings/Conclusions: Budget reductions have limited the Coast Guard's ability to adequately maintain its cutters and shore facilities, and it has been unable to expand the cutter fleet to meet increased duties. GAO evaluated 51 cutters and found that 35 were having problems relating to: changes in Coast Guard missions construction, obsolete equipment, maintenance, and habitability. Despite increased duties, Coast Guard personnel resources have remained fairly constant. High attrition rates have also affected mission performance. The Coast Guard estimated that an additional 8,200 people are needed in 1981, about half of which are needed to carry out activities mandated under recent legislation. As a result of the low retention rate, about 48 percent of enlisted Coast Guard personnel will have less than 2 years of experience in 1980. Studies and analysis indicate that many shore facilities have reached or surpassed their design life. Moreover, capital expenditures for rehabilitation and replacement have not increased as facilities have been added. A GAO review of 210 shore facilities found that 94 had various types and degrees of problems including physical deterioration, overcrowding, and other inadequacies due to the Coast Guard's changing missions.

Recommendations: The Secretary of Transportation should require the Coast Guard Commandant to (1) establish and issue uniform criteria for evaluating shore facilities, and (2) evaluate shore facilities periodically, using uniform criteria, so that appropriate action can be planned.

Agency Comments/Action

In commenting on the report, DOT reserved judgment both as to the extent of resources needed to meet mission standards and to the mission standards which DOT did not approve. In addition, the Coast Guard, along with DOT and OMB, are carrying out a zero based review of personnel needs. The agency agreed with the need to establish service-wide assessment criteria for the shore plant, and using these criteria to evaluate shore facilities periodically. The Coast Guard estimates that evaluation criteria for 60 to 70 percent of all shore facilities will be available by the end of calendar year 1982. According to the agency, this effort has been ongoing for several years and by the end of calendar year 1982, it is estimated that the majority of all Coast Guard facilities will be assessed and inventoried. However, the entire evaluation will not be completed until the 1984-85 time period.

Appropriations

Acquisition, construction, and improvements - Department of Transportation, United States Coast Guard
Operating expenses - Department of Transportation, United States Coast Guard

Appropriations Committee Issues

The Coast Guard's statutory responsibilities have increased over the years without a commensurate growth in resources. Further, the Coast Guard's budget has not grown to meet its needs for additional staff and vessels, and some shore facilities are inadequate. The Committee should focus attention on the Coast Guard's ability to meet its responsibilities.

DEPARTMENT OF TRANSPORTATION

UNITED STATES COAST GUARD

Ineffective Management of Ship Maintenance--A Coast Guard Problem (LCD-81-12, 11-25-80)

Budget Function: Transportation: Water Transportation (0406)

Because of problems experienced with its maintenance support program at district offices, the Coast Guard established the Ships Inventory Control Point at Curtis Bay, Maryland, as a central logistics manager.

Findings/Conclusions: GAO found that the Control Point is not yet an effective manager. In order to adequately support their own vessel maintenance needs, the district offices have reverted to individual, uneconomical support systems which adversely affect the total system. Some districts maintain intermediate inventories contrary to Coast Guard policy, and districts are not sharing parts. Because each district hoards its own inventory, the Coast Guard has more inventory of some parts than requirements warrant. Much of the Control Point's inventory is not in ready-for-issue condition because the districts lack incentives to properly repair parts before returning them to stock, there are no systemwide repair specifications, and quality assurance programs are lacking or inadequate. As a result, the Coast Guard incurs additional repair and inspection costs before parts can be used and experiences some delays in getting vessels back in service. The Control Point lacks the management information it needs to improve as the central logistics manager. Because it has been unable to fill districts' requests, the districts procure many items commercially without going through or informing the Control Point. The Coast Guard could reduce its maintenance costs by making greater use of other agencies' maintenance facilities. Government regulations require that, before agencies procure services commercially, they should first determine if interservice support potential exists.

Recommendations: The Secretary of Transportation should direct the Coast Guard to develop a catalog of services available by (1) disseminating and updating information to all districts on vessel maintenance interservice support currently being used by some districts and (2) developing an inventory of all Government maintenance activities within a given radius. The Secretary of Transporation should direct the Coast Guard to (1) improve its vessel logistics support program by having the Ships Inventory Control Point act as a wholesaler of repair parts and set up procedures whereby districts pay for parts and receive credit for parts returned and repairs performed; (2) make a physical inventory and update its stock records and implement procedures to obtain the management information it needs as the central logistics manager; and (3) develop systemwide repair specifications and improve its quality assurance and packaging and preservation programs.

Agency Comments/Action

The Department of Transportation concurred with the GAO recommendations. Its actions are pending.

Appropriations

Department of Transportation, United States Coast Guard

DEPARTMENT OF TRANSPORTATION

UNITED STATES COAST GUARD

Coast Guard Personnel Records Storage Areas Need Fire Protection Systems (GGD-81-72, 4-22-81)

Budget Function: General Government: General Property and Records Management (0804)

The U.S. Coast Guard maintains over 6,000 officer and over 30,000 enlisted personnel records in two rooms at the Transpoint Building in Washington, D.C. GAO reviewed the official personnel records of the Coast Guard to determine how efficiently the records were being maintained.

Findings/Conclusions: GAO believes that the Coast Guard should acquire fire protection systems to protect its records. Although the Government leases the Transpoint Building, Government-occupied space is subject to the building fire safety standards established by the Public Buildings Service (PBS). According to PBS criteria, only one of the two rooms used to store the records requires an automatic sprinkler protection system. However, GAO believes that the importance of the records and the expense of replacing them warrants installation of the system in both rooms. The Coast Guard stated that it intends to install a fire protection system during the upcoming renovation of the building.

Recommendations: GAO believes that the Coast Guard should take action now to protect the records because the renovation has already been delayed once and could be delayed further.

Agency Comments/Action

The Coast Guard has delayed action on the recommendation pending renovation of the spaces involved.

Appropriations

Operating expenses - General Services Administration, Public Buildings Service

Appropriations Committee Issues

The Committees should assure that the Coast Guard implements the recommendation of this report.

DEPARTMENT OF TRANSPORTATION

URBAN MASS TRANSPORTATION ADMINISTRATION

Communication and Management Problems Hinder the Planning Process for Major Mass Transit Projects (CED-79-82, 6-5-79)

Budget Function: Transportation: Ground Transportation (0404)
Legislative Authority: Urban Mass Transportation Act of 1964 (49 U.S.C. 1601 et seq.).

The Urban Mass Transportation Administration (UMTA) awards Federal grants to State and local authorities to plan and implement various mass transit projects. Nearly two-thirds of the $8.4 billion in capital grants awarded through fiscal year 1978 by this agency were for the construction, extension, or modernization of intracity rail systems. Federal funding authority for such investments is discretionary, so metropolitan areas must vie for available funds. Due to the potential demand for its funds and concern about its ability to finance these projects, UMTA since 1974 has required analysis of rail and nonrail alternatives when intracity rail projects are proposed so that a cost-effective option can be selected. This policy was formalized in September 1976.

Findings/Conclusions: Even though UMTA had been requiring analysis studies of rail and nonrail alternatives to be made on major projects since 1974, UMTA has not developed guidelines to help project sponsors develop studies acceptable to UMTA. As a result of the lack of guidance and effective communication, project sponsors have conducted studies inconsistent with what UMTA wanted.

Recommendations: The Secretary of Transportation should apply the September 1976 Federal policy on major urban mass transportation investments to all major projects unless specifically exempted by the policy. The Secretary should make major mass transit investment decisions only after significant deficiencies noted in alternatives analysis studies have been corrected. The Secretary should also direct the Administrator of UMTA, in addition to developing alternatives analysis guidance, to improve communication with all project sponsors by consistently monitoring progress of studies, providing prompt feedback to project officials, and requiring that all agreements and requirements are documented.

Agency Comments/Action

The Department of Transportation generally agreed with the GAO findings and conclusions and supported the recommendations. UMTA has also taken a number of actions which are directed at averting problems which are discussed in the report. UMTA is developing written technical guidance for the alternative analysis process.

Appropriations

Planning - Department of Transportation, Urban Mass Transportation Administration

Appropriations Committee Issues

The alternative analysis process, if effectively managed and applied to all major projects, is a useful and constructive tool to identify cost-effective mass transit projects. In its consideration of UMTA budget requests, the Committees should consider the alternatives analysis for the individual major transit projects for which UMTA is requesting budget authority and funding. Also, the Committees should determine the status of the technical guidance for the alternative analysis process.

ADMINISTRATIVE OFFICE OF THE UNITED STATES COURTS

The Federal Bail Process Fosters Inequities
(GGD-78-105, 10-17-78)

Budget Function: Administration of Justice: Federal Litigative and Judicial Activities (0752)
Legislative Authority: Bail Reform Act of 1966. Speedy Trial Act of 1974. 18 U.S.C. 3154. 18 U.S.C. 3146. United States v. Cramer, 451 F.2d 1198, 1200 (5th Cir. 1971). United States v. Leathers, 412 F.2d 169 (D.C. Cir. 1969). United States v. Gillin, 345 F. Supp. 1145, 1146-47 (S.D. Tex. 1972). United States v. Bigelow, 544 F.2d 904, 907-08 (6th Cir. 1967). United States v. Wind, 527 F.2d 672, 674-74 (6th Cir. 1975). Blunt v. United States, 322 A.2d 579 (D.C. App. 1974). United States v. Kirk, 534 F.2d 1262, 1280-81 (8th Cir. 1976). United States v. Gilbert, 425 F.2d 490, 491-92 (D.C.C. 1969). United States v. Bishop, 537 F.2d 1184, 1186 (4th Cir. 1976). United States v. Thompson, 452 F.2d 1333, 1340-41 (D.C.C. 1971). Allen v. United States, 386 F.2d 634, 636 (D.C.C. 1967).

Each of the 55,000 criminal defendants who annually enter the Federal court system must have a bail hearing before a judicial officer, usually a magistrate. This hearing is important because the magistrate decides the bail conditions under which the defendant may obtain release prior to trial. Pretrial release (bail) practices in Federal district courts were reviewed to determine if the bail system is used to cause a high rate of appearance without unnecessarily detaining defendants.

Findings/Conclusions: Judicial officers have substantial discretion in making bail decisions. As a result, they set widely varying, and in some cases overly restrictive, release conditions because they use bail for differing purposes and weigh the criteria of the Bail Reform Act differently. Consequently, some defendants are jailed, have to pay to be released, or are otherwise restricted while other similarly charged defendants are not so restricted. Judicial officers need more complete and reliable information when making bail decisions. The Federal judiciary has not established a system to provide judicial officers with feedback on the results of their bail decisions in relation to the results of other judicial officers and to monitor and evaluate the bail process. The usefulness of Pretrial Services Agencies' (PSA's) supervision and social services functions has not been demonstrated; the Administrative Office of the Courts' evaluation of PSA's will be useful but limited.

Recommendations: The Chief Justice, in his capacity as Chairman of the Judicial Conference, should work with the Conference, the Director of the Administrative Office of the U.S. Courts, and the Federal Judicial Center to develop and implement a program to assist judicial officers in making sound and consistent bail decisions. He should also work with the Judicial Conference and the Administrative Office of the U.S. Courts to: develop a system to monitor and evaluate bail activities, provide information to judicial officers on the results of bail decisions so they may evaluate their performance against that of other judicial officers, and receive periodic reports on the status and problems in the bail area to assist in developing improvements in the bail process. The Judicial Conference should provide the means for judicial officers to have more complete and accurate information on defendants when making bail decisions.

Agency Comments/Action

The Administrative Office commented that the inconsistencies in bail recommendations and types of supervision noted in the report are inherent and intended in the PSA experimental project. It also stated that its research methodology for the PSA evaluation does not assume that any significant changes in bail variables result from the PSA operation. Their study has built-in controls to account for changes due to other factors.

Appropriations

Administrative Office of the United States Courts

Appropriations Committee Issues

Before providing resources on a large scale, Congress should assess whether the pretrial service agencies have improved the bail process.

ADMINISTRATIVE OFFICE OF THE UNITED STATES COURTS

FEDERAL JUDICIAL CENTER

Better Management Needed in Automating the Federal Judiciary (GGD-81-19, 4-2-81)

Budget Function: Administration of Justice: Federal Litigative and Judicial Activities (0752)
Legislative Authority: Automatic Data Processing Equipment Act (P.L. 89-306). Speedy Trial Act of 1974 (P.L. 93-619). B-193861 (1979).

The Federal Judicial Center is developing and implementing computer-based systems, collectively known as Courtran, to automate various activities of Federal courts. GAO reviewed some of the Center's systems development and transfer practices, the need for increased Center-Administrative Office of the U.S. Courts coordination, and the plans to automate the Federal judiciary.

Findings/Conclusions: The Federal Judicial Center has not used good software design, development, and implementation practices and has not performed all the steps essential to properly develop and implement software systems. The Center has not always fully identified and analyzed users' needs, alternatives, benefits, and costs before undertaking software development work. Conversion to automated systems has not been as smooth as it should have been because conversion plans, procedures, and necessary operations and maintenance manuals have not been prepared. Although systems have been tested and operated in parallel at great length, progress toward moving systems out of the developmental stage and into full operation remains negligible. The Center has taken some steps to: (1) determine which Courtran systems are cost beneficial; (2) identify which courts should use the various systems; (3) determine the most effective hardware and communication configuration for the systems; (4) require courts to prepare conversion plans and procedures before implementing new systems; and (5) require clerks of the court to formally approve all requests to modify automated systems. Although Congress expected the Center and the Administrative Office to work together to improve and support Federal court operations, little coordination has occurred. As a result, The Federal judiciary's automatic data processing needs are supported by two separate organizations, and neither the Center nor the Administrative Office is prepared for the transfer of operational and maintenance responsibilities for Courtran systems.

Recommendations: The Directors of the Federal Judicial Center and the Administrative Office of the U.S. Courts should work together to develop and implement a detailed plan to ensure the orderly transfer of automated court systems to the Administrative Office of the U.S. Courts as envisioned by Congress. The Directors of the Federal Judicial Center and the Administrative Office of the U.S. Courts should work together to establish an automatic data processing cost accounting system to aid in decisionmaking and in preparing internal and external reports. The Directors of the Federal Judicial Center and the Administrative Office of the U.S. Courts should work together to determine whether two fully equipped computer organizations are needed to design, develop, and implement automated systems to support the Federal judiciary. The Directors of the Federal Judicial Center and the Administrative Office of the U.S. Courts should work together to establish a coordinated planning process and prepare a joint long-range plan which is updated at least annually. The plan should show the judiciary's needs, proposed projects, costs and benefits, priorities, workloads, and equipment and personnel required to support the workload. The Director of the Federal Judicial Center and the Director of the Administrative Office of the U.S. Courts should jointly inform Congress of the Joint Development Planning Committee's operations and of the progress made toward implementing a long-range planning process, a cost accounting system, and coordinated computer operations. The Director of the Federal Judicial Center in concert with the Director of the Administrative Office of the U.S. Courts should establish written processes for the orderly development and implementation of computerized information systems in support of the U.S. Courts.

Agency Comments/Action

The Federal Judicial Center has identified four software systems which support the daily operations of the Federal Courts and has planned to transfer them to the Administrative Office. To accomplish this, the Judicial Center and Administrative Office in their FY 1982 budget submissions requested approval to transfer $2.1 million of budget authority, 19 positions, and 3 computers from the Center to the Administrative Office to support the daily operations of these systems.

Appropriations

Salaries and expenses - Federal Judicial Center
Salaries and expenses - Administrative Office of the United States Courts

CORPS OF ENGINEERS (CIVIL FUNCTIONS)

Montana's Libby Dam Project: More Study Needed Before Adding Generators and a Reregulating Dam (EMD-80-25, 11-20-79)

Budget Function: Natural Resources and Environment: Water Resources (0301)

The Army Corps of Engineers has proposed modifications to the Libby Dam in Montana to increase its generating capacity. The increased capacity would not produce more electricity than the existing facility, but would help meet high-demand daytime needs. The project has been the subject of controversy for several years. The Corps has contended that it is necessary to meet the peak power needs of the area. However, others have questioned whether the project would be economically and environmentally sound.

Findings/Conclusions: In making the benefit-cost analysis of the proposed Libby Dam project, the Corps used methods which no longer apply in the Pacific Northwest. Use of this methodology resulted in an overestimation of the benefits of the project. The Corps planned to undertake a new analysis using more precise data and production cost model concepts. State officials and others felt that river fluctuation limits should be reduced for safety reasons and to lessen the effects on the fish population. Such a reduction would impair the operating flexibility of the main dam and decrease the power benefits at the reregulating dam. No studies or other evidence have shown the need to reduce the fluctuation limits, and the fishery below the dam was apparently flourishing. The Corps did not fully analyze five alternatives to the proposed project. These alternatives included: (1) combustion turbines similar to aircraft engines for driving electric generators; (2) cogeneration using heat from industrial operations to power the generators; (3) power exchanges using the intertie that stretches from California to Washington; (4) load management which smooths out the peaks in electricity use by means of remote control switches, thermostats and circuit breakers in homes and businesses; and (5) peak pricing options involving increased power prices during periods of heaviest demand.

Recommendations: The Secretary of the Army should direct the Chief of Engineers to recompute and to report to the Congress the costs and benefits for the project, using the production cost model approach, and taking care to select the authorized discount rate, valid power values, and all applicable costs.

Agency Comments/Action

As agreed, GAO did not obtain written agency comments. The matters presented in the report, however, were discussed with appropriate agency officials who agreed that further studies are warranted. The Corps has performed further studies.

Appropriations

Department of the Army, Corps of Engineers (Civil Functions)

Appropriations Committee Issues

The Committees should look closely at appropriating money for the Libby Project until the entire project has been authorized by Congress.

CORPS OF ENGINEERS (CIVIL FUNCTIONS)

Corps of Engineers' Acquisition of Fish Hatchery Proves Costly (CED-81-109, 9-18-81)

Budget Function: Natural Resources and Environment: Conservation and Land Management (0302)
Legislative Authority: Fish and Wildlife Coordination Act (P.L. 85-624).

GAO reviewed the Corps of Engineers' purchase of the Crystal Springs Ranch fish hatchery in connection with the loss of steelhead trout due to dam construction on the lower Snake River. GAO reviewed the appraised value of the hatchery and whether the Corps should have considered contracting with private hatcheries to raise some of the fish.

Findings/Conclusions: GAO believes that the method used by the Corps to determine the value of the fish hatchery was deficient and that a more realistic value would have been approximately $2 million less, especially when conversion costs are considered. For example, another trout farm sold in the area for about half of Crystal Springs' selling price. This sale included more water, more land, a processing plant, a feed mill, and other assets not included in the Crystal Springs sale. The production capability on which the facility's value was based was not adequately supported. Thus, the Corps should not have relied on the appraisal because it contained many technical inaccuracies. GAO also believes that the rate of return on the investment in the hatchery was understated. Because of the controversy surrounding the purchase price, the Corps should have had a second appraisal made and should have required that a technical evaluation of production capability be made as part of the appraisal process. Commercial hatcheries could raise trout at substantial savings to the Government, but the Corps would need authority to contract with commercial fish hatcheries to supply the fish in the Lower Snake River. The Corps also has some reservation about the commercial hatcheries' ability to provide a continuous, long-term supply of healthy fish in a timely fashion.

Recommendations: In future fish hatchery acquisitions where comparable sales are lacking, the Secretary of the Army should direct the Chief of the Corps of Engineers to require appraisers to obtain a technical evaluation to accurately determine the production capability of the facility, more information to support the capitalization rate and, if possible, accurate production records. The Secretary of the Army should direct the Chief of the Corps of Engineers to determine the cost effectiveness and capability of commercial hatcheries in the Lower Snake River area to raise steelhead trout comparable in quality to those raised in Federal and State hatcheries. As part of its determination process, the Corps may want to have commercial hatcheries demonstrate their capability to raise steelhead trout. If it is feasible for commercial hatcheries to supply steelhead trout, the Secretary of the Army should direct the Chief of the Corps of Engineers to promptly develop and submit to Congress proposed legislation which would authorize the Corps to contract with commercial fish hatcheries in the Lower Snake River area for steelhead trout.

Agency Comments/Action

The Department of the Army believed that the Corps had obtained a good appraisal based on the best data available and had complied with the GAO recommendation to obtain a technical evaluation of production capability and to adequately support the capitalization rate. The Army also disagreed with the GAO recommendation to explore the possibility of contracting with commercial hatcheries for steelhead trout and to obtain the necessary legislative changes to allow the Corps to do so. The Army cited the commercial hatcheries' inexperience in raising steelhead as the major reason for not wanting to contract with them. The Department of the Interior also raised concerns about the capability of commercial hatcheries to raise quality steelhead but reserved judgment until it has completed a study of alternative fish sources. The appraiser said that his information and methodology were reasonably accurate and that GAO used only biased information to make its judgments.

Appropriations

General construction - Department of Defense
General construction - Department of the Army, Corps of Engineers (Civil Functions)

DISTRICT OF COLUMBIA

The District of Columbia Government Should Determine Its Work Force Needs (FPCD-79-21, 4-4-79)

Budget Function: General Purpose Fiscal Assistance: Other General Purpose Fiscal Assistance (0852)
Legislative Authority: P.L. 91-405.

Over half of the budget of the District of Columbia is used for personnel, making cost control in this area very important. In 1970, Congress established the Nelsen Commission to determine ways of promoting economy and efficiency while improving services within the District government. Among other things, it recommended that every agency with over 50 employees determine its staffing needs annually, based on rational work measurement methods, and that the Executive Office of the Mayor control the system used to determine staffing levels.

Findings/Conclusions: The District's Office of Budget and Management Systems has not sought staffing plans from the commissions and agencies as the Nelsen Commission advised. GAO reviewed six District departments and found that five of them do not set work force requirements or prepare staffing plans, but base these decisions on experience and managerial judgment; the sixth department had a formal staffing program but only for its own use. Throughout the District government, only annual increases in staffing over the previous year's level need to be justified, and even this provision excludes positions funded by Federal grants. The District controls its work force by imposing arbitrary ceilings on employment without regard to actual needs, because planning would require a large staff. Although work measurement occurs in various departments on a fragmentary basis, the District has no policy or office to regulate it. The importance of work measurement in staff planning lies in the efficiencies and savings it can produce, but it is irrelevant where employment levels have been set by court orders, union contracts, and political pressure. Without systematic measurement and planning procedures, the District does not know how many employees it needs or how to allot them. Also, approaches to the problem show too much variation among government departments.

Recommendations: The Mayor should direct the establishment of a work force planning system based on method studies and work measurements, including statements of goals and responsibilities for each department and agency, and providing for annual staff planning reports as outlined by the Nelsen Commission. This system should identify essential work to be performed by the following categories of personnel: full-time, permanent, positions funded under Federal grant and nonappropriated sources, part-time, temporary, and special employment types. The Mayor should also prepare a plan for implementing a work force planning system, including a schedule of necessary resources for its realization.

Agency Comments/Action

District officials said they support and will implement the basic thrust of the recommendations.

Appropriations

Operation and maintenance - District of Columbia

Appropriations Committee Issues

Agency workforce planning should identify the number of employees needed to effectively and efficiently accomplish the Government's essential work.

DISTRICT OF COLUMBIA

DEPARTMENT OF HUMAN SERVICES

Welfare Payment Reduced: An Improved Method for Detecting Erroneous Welfare Payments (GGD-78-107, 2-5-79)

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604)
Legislative Authority: District of Columbia Self-Government and Governmental Reorganization Act (P.L. 93-198).

The Department of Health, Education, and Welfare (HEW) requires that all Aid to Families with Dependent Children (AFDC) welfare cases be reviewed every 6 months to determine continued eligibility and correctness of payments. According to the District of Columbia, limited staff allowed only 20 percent of its AFDC cases to be reviewed. It needed an effective method to identify potential error cases to permit more efficient use of manpower, to increase the number of error cases reviewed, and to materially reduce errors and incorrect payments.

Findings/Conclusions: Working with the District of Columbia's Department of Human Resources, GAO developed three formulas that assign computer-derived numerical scores to cases that need to be reviewed and rank them in order of their error potential. The methods will help the District make better use of staff by having them concentrate their reviews on correcting cases most likely to be in error, remove ineligible recipients from the welfare rolls, correct overpayments and underpayments to eligible recipients, and accumulate information to increase caseworker productivity and generally improve welfare program administration. The District reviewed only 15 percent of its welfare cases from May 1977, when it started using one of the formulas, through April 1978. During that period, erroneous welfare payments were reduced by $3.5 million, or nearly double the amount that was possible using its methods. Other results will be reductions in Medicaid and food stamp benefits paid to erroneous AFDC cases. Because conditions change over time, the formula must be updated to ensure its continued usefulness in identifying welfare cases with high potential for error. The approach used to develop the formulas can be used by State and local governments. Similar formulas would be useful to most jurisdictions and particularly useful to those that do not review all cases every 6 months. Their use should produce for them benefits similar to those of the District. Also, the use of the formulas by State and local governments could help HEW achieve, nationwide, reductions in incorrect welfare payments. The formulas should be used as a supplement, and not a substitute, for complying with HEW regulations requiring all cases to be reviewed every 6 months.

Recommendations: The Secretary of HEW should distribute this report to State and local governments and emphasize to them that using formulas similar to the ones GAO developed could help in reducing incorrect welfare payments.

Agency Comments/Action

The Secretary of HEW advised GAO in August 1979 that the GAO formulas were made available to State welfare officials during a national conference on case workload management held in April 1979 to discuss various methods for potential application within their States. GAO was advised in April 1980 that certain States have expressed an interest in error case identification methods. The House Appropriations Committee, in its report on the District of Columbia Appropriations Bill-1982, commented on the District's Department of Human Services' efforts to better manage its resources through a special plan to reduce the error rate in the AFDC program. The Committee stated that it expects a report on the results of the plan at next year's hearings.

Appropriations

General operating expenses - District of Columbia, Department of Human Services

Appropriations Committee Issues

The District's Department of Human Services must continue its efforts to identify and correct erroneous welfare payments.

DISTRICT OF COLUMBIA

DEPARTMENT OF HUMAN SERVICES

Improved Collections Can Reduce Federal and District Government Food Stamp Program Costs (GGD-81-31, 4-3-81)

Budget Function: General Purpose Fiscal Assistance: Other General Purpose Fiscal Assistance (0852)
Legislative Authority: District of Columbia Self-Government and Governmental Reorganization Act (P.L. 93-198; 87 Stat. 774). Food Stamp Act of 1964 (7 U.S.C. 2011 et seq.).

GAO studied collection procedures for amounts owed to the District of Columbia by food stamp vendors for cash and food stamp shortages and by recipients who were overissued stamps.

Findings/Conclusions: The District has collected a minimal amount due from food stamp vendors and recipients. Inadequate collection efforts, lack of systems for identifying improper issuances and for monitoring collection efforts, and poor controls over recipient participation cards contributed to the problem. As a result, District and Department of Agriculture costs were unnecessarily increased. The District was not claiming all reimbursable costs incurred in administering the program. Amounts owed by recipients may be written off as uncollectible after required collection efforts have been exhausted. There are no criteria, however, to provide guidance concerning maximum timeframes within which various processing steps should be accomplished, and there is no reporting system to monitor the progress of claims processing or highlight problem claims. The District has not identified and attempted to collect overissuances resulting from duplicate redemptions or from redemptions of expired, altered, and unsigned participation cards. The District's participation card system does not provide control over the cards, results in increased costs, and does not safeguard the cards to prevent unauthorized use. Transaction cards which have been returned by vendors were improperly filed and stored without adequate physical control to prevent reintroducing the cards into the system.

Recommendations: The Mayor should require the Director of the Department of the Human Services (DHS) to establish controls over unused cards in the hands of the computer operators. The Mayor should require the Director of DHS to remind issuers that they are liable and will not be paid fees for improper issuances. The Mayor should instruct the Director of DHS to adopt a policy to consistently offset shortages against transaction fees earned by the vendors. The Mayor should instruct the Director of DHS to investigate all shortages and institute recovery actions when District employees are determined responsible. The Mayor should instruct the Director of DHS to establish maximum timeframes within which certain claims processing steps must be accomplished. The Mayor should instruct the Director of DHS to terminate the vendor's participation in the program after taking steps to minimize the impact on food stamp recipients served by the vendor if he is unable to reach such agreements with a private vendor within a reasonable period of time. The Mayor should instruct the Director of DHS to establish a policy and procedures for initiating and settling claims for food stamp shortages incurred at District agency issuing outlets. The Mayor should instruct the Director of DHS to include offsetting agency food stamp shortages against moneys due that agency by DHS for operating such outlets. The Mayor should instruct the Director of DHS to establish a procedure to submit claims for unpaid shortages to vendor insurance companies where appropriate. The Mayor should require the Director of DHS to establish a system to record and control serial numbers of participation cards received, distributed, and used. The Mayor should instruct the Directors of DHS and the Department of Housing and Community Services (DHCD) to finalize the agreement under which DHCD issues food stamps at its locations to enable DHS to recover reimbursable administrative costs from the Department of Agriculture. The Mayor should require the Director of DHS to devise a system that will insure that all voided cards are rendered unusable, are appropriately recorded, and are destroyed within established timeframes. The Mayor should require the Director of DHS to reemphasize to issuers and personnel working in the Food Stamp Program the importance of assuring that participation cards presented for redemption have not expired, have not been altered, and have been signed by eligible recipients. The Mayor should require the Director of DHS to establish a system to sample redeemed participation cards to evaluate the extent of compliance with program requirements concerning expired, altered, and unsigned cards. As appropriate, redemption of expired, altered, and unsigned cards should be considered as unauthorized issuances for which issuers are liable for the value of the stamps and any fees paid. The Mayor should require the Director of DHS to assure that the Office of Fair Hearings expedites food stamp fraud hearings and reports on the status of all food stamp fraud cases until the backlog has been eliminated. The Mayor should instruct the Director of DHS to expand collection efforts for large outstanding amounts to include personal contacts with recipients who do not respond to inquiries concerning food stamp overissuances or do not execute or comply with repayment agreements. The Mayor should instruct the Director of DHS to require that the proposed computerized report on claims be modified to show the status of each claim, the length of time the claim was in each status, and whether the claim was progressing in accordance with established timeframes. The Mayor should require the Director of DHS to revise the filing system for transacted cards so that they are accessible by serial or case number and provide secured storage to prevent their reintroduction into the system. The Mayor should instruct the Director of the Department of Human Services (DHS) to execute food stamp contracts with all vendors and obtain documentation that vendors have secured insurance and bonding coverage required by their contracts.

Agency Comments/Action

The Director of the District's Department of Human Services generally agreed with the recommendations and advised GAO of the corrective actions taken or planned. These included the development and implementation of policies, procedures, and systems to solve the problems noted and the institution of a monitoring program, as appropriate, to assure that the newly instituted policies, procedures, and systems are properly implemented.

Appropriations

General operating expenses - District of Columbia, Department of Human Services

Appropriations Committee Issues

The District must continue its efforts to collect amounts due from food stamp vendors and recipients and continually monitor activities to ensure that over-issuances are identified and collected and that appropriate controls are maintained over authorization to participate cards.

DISTRICT OF COLUMBIA

DEPARTMENT OF HUMAN SERVICES

District Needs To Improve the Process for Identifying Misuse of Its Medicaid Program (GGD-81-78, 7-13-81)

Budget Function: General Purpose Fiscal Assistance: Other General Purpose Fiscal Assistance (0852)
Legislative Authority: Social Security Amendments of 1965. Social Security Amendments of 1967.

GAO reviewed the effectiveness of the District of Columbia's Department of Human Services (DHS) surveillance and utilization review procedures in identifying and controlling misuse and abuse of medical services.

Findings/Conclusions: The DHS Surveillance and Utilization Review (SUR) program, which was designed to identify and safeguard against Medicaid fraud, misuse, and abuse, could be improved. DHS has not established and implemented effective methods and procedures to identify and safeguard against recipient misuse and abuse of medical services. As a result, the Department could not determine the extent of recipient misuse or abuse. Since audits are not made of all providers' records, some overpayments could exist that are not identified. The GAO review showed that there was a need for: (1) a better system to identify potential misuse/abuse cases for review; (2) more effective procedures for counseling, monitoring, and controlling persons misusing or abusing medical services; (3) more effective controls for processing cases and an improved reporting system to facilitate management reviews; and (4) improved procedures for recovering improperly billed Medicaid payments. A new Medicaid Management Information System, expected to be operational in mid-1981, will correct some of the deficiencies noted in the review. However, to realize the full benefits of the system, other operational improvements should be made.

Recommendations: The Director of the Department of Human Services should establish and implement effective procedures to require that (1) all recipients referred to the Health Education Section are counseled and (2) where appropriate, their future medical service use is monitored. Additionally, the Director should: (1) take action to implement a policy to restrict identified misusers/abusers of medical services; (2) prescribe reasonable standards and controls to assure timely processing of cases; (3) establish a system for effective reporting on SUR operations; and (4) require that complete and accurate records be maintained on all cases reviewed and processed by SUR.

Agency Comments/Action

Department of Human Services officials generally agreed with the recommendations. The Department is in the process of installing a Medicaid Management Information System which, along with other planned operations, should help improve management of the Medicaid program.

Appropriations

General operating expenses - District of Columbia, Department of Human Services

Appropriations Committee Issues

The District must continue its efforts to identify and safeguard against recipient misuse and abuse of medical services.

DISTRICT OF COLUMBIA

EXECUTIVE OFFICE OF THE MAYOR

Federal Payment to the District of Columbia: Experience Since Home Rule and Analysis of Proposals for Change (GGD-81-67, 4-23-81)

Budget Function: General Purpose Fiscal Assistance: Other General Purpose Fiscal Assistance (0852)
Legislative Authority: District of Columbia Self-Government and Governmental Reorganization Act (P.L. 93-198; 87 Stat. 774). Supplemental Appropriations and Rescission Act, 1980 (P.L. 96-304).

In 1973, Congress passed the home rule legislation that set up the District of Columbia's first elected government, which took office in 1975. This legislation increased the District's Federal payment authorization so that presently about $300 million, or 21 percent, of the District's operating budget comes from a direct Federal payment. Congress is faced with the issues of whether to increase the $300 million now authorized for the Federal payment to the District and whether to make other changes in the way the payment is provided to the District government. District officials would like to have the Federal payment determined by some formula, preferably a set percentage of District revenues. GAO investigated the role of the Federal payment in financing the budget of the District of Columbia and evaluated proposals to establish the payment on a formula basis.

Findings/Conclusions: Although the Federal payment has increased since home rule, the payment has declined in relation to the District's total budget and in purchasing power. Local tax collections have increased by more than the general rate of inflation, and the tax burden on moderate and upper income households is higher than in surrounding jurisdictions. However, the District's tax base is strong and should continue to almost keep up with inflation without rate increases. GAO believes that the issues associated with the desirability of a Federal formula payment would be easier to resolve if: (1) there was an explicit effort by Congress, the Office of Management and Budget, and the District government to establish service goals for the District's population and service groups in an inflationary environment; (2) the informative content and reliability of budget information provided by the District government to the City Council, the public, and Congress were improved; and (3) the District government made improvements in program and financial management. GAO also believes that some of the benefits associated with a formula approach could be achieved by other changes in the way the Federal payment is authorized and appropriated and in the way the District budget is reviewed by Congress.

Recommendations: The Mayor of the District of Columbia should present meaningful comparisons of past trends and assumptions about the future in such areas as the relationship of the budget to changes in the city's population and service groups and the impact of inflation and other changes in the economy on revenues and expenditures. The Mayor of the District of Columbia should specifically show the relationship between each year's appropriations, each year's actual obligations, and each year's revenue and cash position. The Mayor of the District of Columbia should comply with the Self-Government Act provision to present consistent information for the current budget year, for the three previous fiscal years and, on a projected basis for the following four fiscal years. All of the information should be readily identifiable in the city's budget. Such information is needed for all revenues by: major types, appropriations, and obligations for personnel and other major categories of expense; annual full-time equivalent employment in positions actually filled; and grant and other data. If budget categories change, such as changing the definition of the general fund, sufficient information should be provided to allow reasonably accurate comparisons to be made, as the Self-Government Act intended.

Agency Comments/Action

District officials acknowledged that data presentations have changed over the years but that the changes were made necessary by such things as the change from cash-based budgeting to accrual-based budgeting. They expressed the view that most of the shifts in definitions, methods of measurement, and classifications have now been made with the result that more consistent financial data should be available from the audited 1979 financial statements forward.

Appropriations

General operating expenses, governmental direction and support - District of Columbia

Appropriations Committee Issues

The Committees need to assure that the District of Columbia government submits reliable, consistent, and complete budget data as required by the Self-Government Act. Any change in the amount of the Federal payment and the way the payment is made must be a political decision because of the intricate relationship and divergent interests of the Federal and District governments.

DISTRICT OF COLUMBIA

MINORITY BUSINESS OPPORTUNITY COMMISSION

Some Restructuring Needed in District's Contracting Program To Serve Minority Businesses (GGD-81-68, 6-24-81)

Budget Function: General Purpose Fiscal Assistance: Other General Purpose Fiscal Assistance (0852)
Legislative Authority: District of Columbia Self-Government and Governmental Reorganization Act (P.L. 93-198; 87 Stat. 774). Minority Contracting Act.

The Minority Contracting Program, established in March 1977, is designed to expose qualified minority firms to increased business opportunities and to aid them in overcoming barriers in their attainment of professional and financial independence. The Minority Business Opportunity Commission is responsible for implementing, administering, and monitoring the program.

Findings/Conclusions: The program has had some positive benefits for a few firms, but the majority of the recipients report to GAO little or no business development, increased minority employment, or expansion of the District's tax base. Over half of the money from contracts that GAO reviewed went to a small number of firms least in need of help. Other firms receiving contracts acted as middlemen to nonminority firms which did all the work. Amendments to D.C. law were meant to assure at least 50 percent participation in the contract work by minority business. However, several months after enactment, the practice of minority firms acting as middlemen was still continuing. Agency procuring officials believe certification should cover both minority status and business capability, whereas the Commission intended certification to cover only minority status and relied upon the firm's statement as to its business capability. Most certified firms submitted incomplete data. The files generally showed neither data verification nor chain of Commission review responsibility. The Commission has recently set up a new certification process to overcome these problems. Although the program affects nearly every District operating agency, neither general acceptance nor understanding of it had occurred at the time of the GAO review. Also, untimely regulations, lack of Commission guidelines, and unclear legislative provisions have resulted in differences among operating officials. GAO compared features of the District's program with those of other cities to provide workable alternatives available to the District.

Recommendations: The Mayor of the District of Columbia should explore attributes of other programs and consult with the business community, majority and minority, on ways to improve the District program. The Mayor of the District of Columbia should strengthen management and administration of the program by: (1) clarifying program goals, designing standards to reach these goals, and measuring progress towards their accomplishment; (2) checking to see if the new certification review procedures are working; (3) establishing criteria for what is an acceptable price increase for setting aside contracts for minority firms; and (4) clarifying the differences over how the program is supposed to operate and the roles of the Commission, its staff, and the procurement agencies. The Inspector General's Office should review procurement agency compliance with the 1980 amendments to assure that minority firms are actually participating in the contract work and not merely acting as conduits.

Agency Comments/Action

The Commission's Executive Director commented on this report on behalf of the Mayor in May 1981. Although the Executive Director had no strong objections to the GAO recommendations, his comments, in the GAO judgment, did not respond to the recommendations. The 90-day response from the agency had not been received as of September 12, 1981.

Appropriations

General operating expenses, economic development, and regulation - District of Columbia

Appropriations Committee Issues

The District should aggressively seek out and explore new ideas to strengthen its Minority Contracting Program. In addition, implementation of the GAO recommendations should result in the participation of firms that will contribute most to achieving program goals. The Committees should determine the action the District is taking to implement the GAO recommendations.

DISTRICT OF COLUMBIA

OFFICE OF THE CITY ADMINISTRATOR

GAO Observations on the District of Columbia's Municipal Bond Program (GGD, 4-17-79)

Budget Function: General Purpose Fiscal Assistance: Other General Purpose Fiscal Assistance (0852)
Legislative Authority: District of Columbia Self-Government and Governmental Reorganization Act; (P.L. 93-198).

The District of Columbia plans to establish a municipal bond program. The District had $1.23 billion of outstanding debt at the end of fiscal year 1977 and it estimates borrowings will increase to about $2.55 billion at the end of the fiscal year 1985. The expected financial commitment through 1985 will bring the city closer to its legal debt ceiling. This condition requires a system that prevents unnecessary borrowings and costs, and insures funding of projects that support high priority city-wide goals.

Findings/Conclusions: The District's capital project planning is conducted at each agency, and is directed toward meeting agency goals, not city-wide goals. There is no list of city-wide priorities and no guarantee that limited funds available are used to finance high priority projects. Project justifications, scopes of work, and cost estimates have not been complete and accurate. Guidelines used to determine which items qualify for the capital budget may not be sufficient to exclude operating items from the capital budget.

Recommendations: The District needs to improve its capital project planning system by: developing project plans that meet city-wide goals as well as individual agency goals; establishing priorities to aid in selecting projects for construction; insuring that project justifications are complete and based on reliable and accurate data; and revising guidelines for distinguishing between capital and operating items. The District needs to issue procedures that clearly delineate responsibilities for administering the bond program and to establish guides to aid personnel in carrying out related day-to-day activities. Also, the District needs to make accurate estimates of issuing water and sewer revenues to support the soundness of issuing revenue bonds.

Agency Comments/Action

In May 1979, the City Administrator stated that the District was in the process of selecting a financial advisor to work with the District staff and the bond counsel in: (1) formulating comprehensive debt policies and explicit procedures; (2) refining the capital programming process to ensure compatibility with debt management; (3) analyzing existing capital structure, debt capacity, and financial environment; and (4) formulating the first stage of a comprehensive debt issuance program for long- and short-term general obligation and revenue debt. The Administrator said that the District had begun to develop a general plan which will reflect policy direction and District-wide goals and priorities. These priorities, which will determine the timeframe in which projects are to be initiated, will be communicated to each agency. Also, capital improvement programming procedures will be examined and, if necessary, revised to correct problems in completeness of project justifications, scopes of work, and accuracy and reliability of cost estimates. Increases in a project budget will be requested through a congressional budget submission. Through anticipated refinements in the capital improvement programming process, the District will insure that inclusion of equipment as capital items is consistent with the Home Rule Act. Finally, the Administrator said that a new computer system for water and sewer activities will include revenue estimating capabilities and will provide accurate revenue estimates.

Appropriations

Executive direction and support, general operating expenses - District of Columbia

Appropriations Committee Issues

The District should continue efforts toward developing its bond program and improving its capital improvement programming procedures, and complete these efforts before attempting to market its bonds.

DISTRICT OF COLUMBIA

OFFICE OF THE CITY ADMINISTRATOR

Delays in Developing and Implementing the District of Columbia Government's Elements of a Comprehensive Plan for the National Capital

(GGD-80-18, 2-12-80)

Budget Function: General Purpose Fiscal Assistance: Other General Purpose Fiscal Assistance (0852)
Legislative Authority: District of Columbia Self-Government and Governmental Reorganization Act (P.L. 93-198).

The comprehensive plan for the National Capital will guide the District of Columbia's future development including land use, housing, transportation, health, social services, and the environment. Before Home Rule, the National Capital Planning Commission was responsible for development of all or parts of such a plan. That group proposed a plan in 1967, but as of June 30, 1974, all or parts of only 4 of 19 plan elements had been adopted because of executive work sessions which overburdened Commission members and Commission staff working on other matters. Under Home Rule, the Mayor of the District of Columbia was made responsible for coordinating planning activities and preparing and implementing the District's elements of a new comprehensive plan.

Findings/Conclusions: The District has experienced delays in developing and implementing its comprehensive plan elements. An original completion date, set for September 1978, was extended to late 1980 because of delays. According to District officials, the revised completion date will not be met and a new plan completion date has not been established. Time-consuming steps involved in the plan's development process; lack of adequate planning staff; and failure, in the past, to give adequate priority to municipal planning have all contributed to delays in the plan's development. GAO felt that the District should establish and monitor formal completion timetables and determine definitively the number of elements to be included in the plan. The District and the National Capital Planning Commission differ on the timing of the Commission's review of plan elements. Because of this, the goals and policies element approved by the District in October 1978 had not been implemented.

Recommendations: The Mayor of the District of Columbia should: (1) establish and monitor a realistic schedule for completing the district's comprehensive plan elements including appropriate benchmarks and timeframes for each phase of the plan's development; (2) work with the National Capital Planning Commission and the Council to reach agreement on the timing of the Commission's review of plan elements; and (3) give top priority to implementing the goals and policies and land use elements.

Agency Comments/Action

In commenting on this report in December 1979, National Capital Planning Commission and District officials stated that agreement had been reached on the timing of the Commission's review. The District's Assistant City Administrator said his office is contracting with a management consultant firm to assist in developing the plan and completion milestones. He said a composite plan, which will include elements such as land use and transportation, will be prepared during the next 2 years for submission to the Council in late 1981. The House Appropriations Committee in its report on the District of Columbia Appropriations Bill-1982, stated that it expects the Mayor and the Office of Planning and Development to perform whatever work is necessary to complete the Comprehensive Plan by the end of fiscal year 1982.

Appropriations

General operating expenses, executive direction and support - District of Columbia Government

Appropriations Committee Issues

The Committees should direct the District of Columbia Government to continue to develop and implement its elements of a comprehensive plan for the National Capital. The lack of such a plan could hinder the District from encouraging private sector development and from processing zoning changes.

ENVIRONMENTAL PROTECTION AGENCY

National Water Quality Goals Cannot Be Attained Without More Attention to Pollution From Diffused or 'Nonpoint' Sources

(CED-78-6, 12-20-77)

Budget Function: Natural Resources, Environment, and Energy: Pollution Control and Abatement (304).
Legislative Authority: Federal Water Pollution Control Act Amendments of 1972 (P.L. 92-500; 33 U.S.C. 1251 et seq. (Supp. V)).

Nonpoint sources of pollution involve pollutants such as sediment, acid mine drainage, and pesticides carried into streams by storm runoff. Discharges of nonpoint pollution can occur anywhere along a water body in contrast to sources where the point of discharge is from a conduit; as a result, nonpoint sources are more difficult to control.

Findings/Conclusions: The best way to control nonpoint pollution is to prevent as much of it as possible from reaching the water through proper management of the land. More attention is needed to control this type of pollution because it can render streams unfit for fishing and swimming according to goals set for 1983. State and local agencies are not using adequate data for planning solutions to this problem. Since total funds for water pollution control are limited, better data are needed to set priorities and evaluate alternatives. The lack of data available on nonpoint sources of pollution is attributable to past and current emphasis on controlling point sources of pollution.

Recommendations: The Administrator of EPA should: initiate a program to provide for the collection of adequate data on relationships among sources of water pollution and expected impacts of control techniques; assess resources EPA and State and local planning agencies need to collect adequate data; develop legislative proposals to provide planning agencies adequate time and funds to conduct proper planning; promote interest and involvement in nonpoint planning and control at high levels within other Federal agencies; develop procedures to identify budgeted and actual expenditures related to nonpoint planning and control; and place responsibility for administering the program at a higher level within EPA. Congress should address itself to questions concerning the adequacy of Federal funds for nonpoint source pollution control and, if funds are to be provided, determine what criteria should be used to determine eligibility.

Agency Comments/Action

The Agency in its letter to the House and Senate Committees on Government Operations generally agreed with the recommendations and said corrective actions were being taken. Such actions include (1) funding comprehensive data collection and analysis of projects, (2) developing interagency agreements to facilitate communication and cooperation, (3) developing a strategy document to identify budgeted and actual expenditure related to nonpoint planning and control, and (4) developing better estimates of resources required to collect and analyze nonpoint source data. While EPA has moved on all these recommendations, full implementation had not been completed as of August 12, 1980. In GAO testimony before the Subcommittee on Oversight and Review of the House Committee on Public Works and Transportation, GAO suggested (1) an extension of the water quality planning program to provide funding for prototype nonpoint pollution projects, and (2) implementation of the Rural Clean Water Program which deals with nonpoint pollution on agricultural lands. The current administration has not requested funds in fiscal year 1982 for the planning program which provides funds for the nonpoint pollution program.

Appropriations

Abatement, control, and compliance - Environmental Protection Agency

Appropriations Committee Issues

It is doubtful whether program objectives can be achieved within projected funding levels.

ENVIRONMENTAL PROTECTION AGENCY

Secondary Treatment of Municipal Wastewater in the St. Louis Area: Minimal Impact Expected (CED-78-76, 5-12-78)

Budget Function: Natural Resources, Environment, and Energy: Pollution Control and Abatement (0304)
Legislative Authority: Federal Water Pollution Control Act Amendments of 1972 (P.L. 92-500; 33 U.S.C. 1251). Clean Water Act of 1977 (P.L. 95-217).

The objective of the Federal Water Pollution Control Act Amendments of 1972 was to restore and maintain the chemical, physical, and biological integrity of the Nation's waters. Publicly owned treatment works were required to provide secondary treatment by July 1, 1977, and to use the best practicable technology by 1983. To assist publicly owned treatment works in providing secondary treatment, the Act authorized the Environmental Protection Agency (EPA) to make grants of up to 75 percent of the eligible costs. Federal funds approximating $163 million are planned to be spent for construction of two municipal secondary treatment facilities in the St. Louis, Missouri, area.

Findings/Conclusions: No significant change in Mississippi River water quality is expected to result from the planned investment of about $216 million (including $163 million in Federal funds) in secondary treatment facilities in St. Louis. Although EPA and other officials have mentioned possible long-range reductions in potentially cancer-causing materials, these benefits have not been validated or quantified. Large increases in energy use and large accumulations of sludge from secondary treatment operations are expected. These considerations will have an impact not only on energy and environmental issues but also on the St. Louis area residents who will have to bear increased operation and maintenance costs. According to St. Louis Sewer District officials, these costs will more than double. Sewer District officials felt that little benefit would result from upgrading two treatment plants from primary to secondary status. However, both Missouri and Illinois officials believed that more benefits would result if Federal funds were used for other projects in their States.

Recommendations: The Congress should amend the law to eliminate the mandatory requirement for secondary treatment of discharges and to permit the Administrator of EPA to grant waivers, deferrals, or modifications on a case-by-case basis to this requirement. The Administrator of EPA should reevaluate its policy of subordinating combined sewer overflow and collector sewer projects to municipal plant projects, in view of the Clean Water Act of 1977 which allows States more flexibility in determining construction grant priorities.

Agency Comments/Action

EPA disagreed that secondary treatment should be waived in some instances where water quality improvements are marginal. According to EPA, secondary treatment should be a base level because it is a necessary, reasonable and appropriate standard for all municipal wastewater discharges to marine waters. EPA believes its water quality strategy and regulations already provide the States sufficient flexibility for setting construction priorities. EPA will, however, consider requests for deviation where it can be demonstrated that a combined sewer overflow project will result in water quality improvements greater than that which could be attained by providing secondary treatment for dry weather flows.

Appropriations

Abatement, control, and compliance - Environmental Protection Agency
Construction grants - Environmental Protection Agency

Appropriations Committee Issues

Unless the law is changed, some secondary treatment plants will still have to be constructed even though the plants may only marginally improve water quality.

ENVIRONMENTAL PROTECTION AGENCY

Hazardous Waste Management Programs Will Not Be Effective: Greater Efforts Are Needed (CED-79-14, 1-23-79)

Budget Function: Natural Resources and Environment: Pollution Control and Abatement (0304)
Legislative Authority: Resource Conservation and Recovery Act of 1976 (42 U.S.C. 6901). Resource Recovery Act of 1970 (P.L. 91-512).

The United States has numerous hazardous waste sources scattered throughout the Nation, producing 56 million tons annually. These include industrial wastes, agricultural chemical residues, and chemical or pathological wastes from hospitals and laboratories. They occur as solids, liquids, powders, and sludges, and represent a prodigious disposal problem. GAO reviewed the Environmental Protection Agency's (EPA) hazardous waste management plans and programs and the necessary resources to support them. GAO also visited 10 State environmental protection organizations, contacted officials in 16 other States, and GAO also met with representatives of industrial associations, trucking companies, and waste management firms.

Findings/Conclusions: Generally, the States lack the staff and funds to implement hazardous waste requirements for health and environmental safeguards. Most States recognize the need to control waste, but lack the requisite controls, do not know the quantities produced in their jurisdictions, and are ignorant of the present means of disposition. In fact, none of the States surveyed had fully identified its hazardous waste generators or believed it had an adequate enforcement program. EPA has been unable to obtain the funding authorized for implementing disposal programs, so assistance promised to the States has not been provided. Many States will not accept the responsibility for fulfilling their obligations without Federal financial and technical assistance; in such cases, EPA is required to step in and operate the programs directly. Currently, there is no long-term funding source available for hazardous waste disposal at any level of government, but fee systems are a possible alternative. EPA regional officials lack the staff to authorize, review, monitor, and provide technical assistance to State programs. Most EPA regions cannot help States draw up regulations, orient industry and the public concerning requirements, or review disposal sites for environmental soundness.

Recommendations: EPA should encourage the States to develop self-supporting funding, such as fee systems, for operating hazardous waste management programs, and model legislation should be developed for State legislatures to establish fee systems. EPA should also request that Congress appropriate the necessary funds for State hazardous waste programs beyond the fiscal year 1979 expiration date, and amend the Resource Conservation and Recovery Act of 1976 to include a fee system to cover costs when States cannot or will not meet the responsibility, and EPA is compelled to take responsibility for the State's program.

Agency Comments/Action

Additional funding for the EPA Hazardous Waste Program area, though periodically considered by the agency, has not been fully provided by EPA or Congress. While Congress has also expressed an interest in the establishment of hazardous waste program fee systems, it has not done so to date. Although it has provided for the establishment of the "Super Fund" which incorporates the fee system concept, it hasn't extended this concept to provide for overall operations costs.

Appropriations

Abatement, control, and compliance - Environmental Protection Agency

Appropriations Committee Issues

The necessary staffing and funding levels needed by EPA to implement the hazardous waste portions of the Resource Conservation and Recovery Act of 1976 should be provided, including provisions for the establishment of a fee system to finance program operations.

ENVIRONMENTAL PROTECTION AGENCY

Air Quality: Do We Really Know What It Is?
(CED-79-84, 5-31-79)

Budget Function: Natural Resources and Environment: Pollution Control and Abatement (0304)
Legislative Authority: Clean Air Act. Clean Air Act Amendments of 1970. Clean Air Act Amendments of 1977.

Reliable and comparable air quality data are critical to Environmental Protection Agency (EPA) regulation and enforcement efforts. Through 1986, an estimated $248 billion will be expended for air pollution abatement programs.

Findings/Conclusions: Although progress has been made in improving air quality, EPA efforts to develop a standardized, comprehensive air monitoring system have been slow and often ineffective. Because of a delay in the promulgation of recent regulations, implementation of such a system will probably not be achieved until the mid-1980's. The reliability of some of the air quality data currently used to assess national progress toward standards, develop trends, and establish control strategies, is questionable. Of 243 monitoring stations reviewed, 81 percent had one or more problems, such as incorrect situation of the monitors or equipment in use which was not EPA certified, which could adversely affect the reliability of data. These problems stem from the fact that monitoring is being carried out by State and local agencies, using systems originally designed to meet their individual needs.

Recommendations: The EPA should: conduct a thorough evaluation of current air monitoring systems; provide technical assistance to State and local agencies in preparing their implementation plans; and concentrate its efforts and resources in areas most adversely affected by air quality designations, taking necessary precautions in decisionmaking until sufficient, accurate data are available. The appropriate congressional committees or subcommittees should hold oversight hearings to explore the progress being made in implementing the air monitoring regulation issued by EPA in May 1979, and to identify the additional actions needed to assure successful completion of the goals of clean air legislation.

Appropriations

Enforcement, monitoring, and data analysis - Environmental Protection Agency

Appropriations Committee Issues

Air quality data used by EPA in making important health and economic related decisions is of an unknown quality. January 1, 1981, was the critical milestone date for full implementation of the agency's NAMS. NAMS was established to provide timely, high-quality air quality data. EPA should appraise Congress of the system's progress.

ENVIRONMENTAL PROTECTION AGENCY

Large Construction Projects To Correct Combined Sewer Overflows Are Too Costly (CED-80-40, 12-28-79)

Budget Function: Natural Resources and Environment (0300)
Legislative Authority: Federal Water Pollution Control Act.

In many U.S. cities, stormwater and waste flow through the same systems. Overflows of these combined sewers from heavy rains allow pollutants to enter waterways, streets, and basements. The Environmental Protection Agency (EPA) estimated that almost $26 billion was needed to fund the pollution control portion of any project that might undertake to separate the Nation's combined sewers. A report focused on progress in stemming the Nation's combined sewer pollution and flooding problem.

Findings/Conclusions: Little progress has been made toward solving combined sewer problems, primarily because insufficient funds were available for large-scale projects. Of the 15 major cities with combined sewer systems that GAO visited, less than half have started construction projects to solve their problems, and eventual completion seemed doubtful for many such projects that were underway. Since sufficient money for large-scale solutions to the Nation's combined sewer problems has not been forthcoming, alternative approaches have been explored which attempt to mitigate pollution and flooding problems through better and more flexible management practices. However, inflexibility in national and State water quality goals, funds allocation, and agency jurisdictions has hampered the pursuit of alternative solutions.

Recommendations: The Administrator of EPA should emphasize the use of inexpensive techniques and require communities to make maximum use of lower cost alternatives before funding large-scale, structural projects. While these techniques may not provide a total solution, it is time to realize that the current approach is not working. Funds in the magnitude required are not available and probably never will be. The Congress should provide more flexibility in water quality goals, encourage the use of alternative low-cost approaches, and permit the Federal Government to play a role in preventing flooding caused by combined sewers.

Agency Comments/Action

EPA has not replied to this report. However, in oral comments it generally agreed with the thrust of the report and its recommendations except for the one permitting the Federal Government to play a role in preventing flooding caused by combined sewer systems. EPA feels that urban flooding should be considered a local problem and that, if EPA were to get involved in urban flooding, it would further dilute the limited funds available to fight water pollution.

Appropriations

Abatement, control, and compliance - Environmental Protection Agency

Appropriations Committee Issues

Alternatives exist for reducing the costs of expensive combined sewer control projects.

ENVIRONMENTAL PROTECTION AGENCY

Review of Environmental Protection Agency's Efforts To Detect and Prevent Fraud and Abuse (CED-80-100, 5-29-80)

Budget Function: Natural Resources and Environment (0300)
Legislative Authority: Inspector General Act (P.L. 95-452; 92 Stat. 1102). EPA Order 3120.1A. OMB Circular A-73.

A review was undertaken of the Environmental Protection Agency's (EPA) efforts to detect and prevent fraud and abuse. During most of the review, the Office of Audit was responsible for evaluating the economy, efficiency, and effectiveness of financial and program operations since the Office of Inspector General (OIG) was not established until January 7, 1980. Also, the Inspection Branch was responsible for matters relating to fraud, gross abuse, corrupt practices, or other irregularities.

Findings/Conclusions: Prior to the establishment of OIG, fraud audits and investigations were done primarily on a reactive basis. The 1980 fiscal year workplan shows that EPA will be able to meet only about 25 percent of its overall audit requirements. Although the audit resources of EPA fall short of those necessary to meet audit demands, other factors have handicapped EPA in its efforts to identify fraud and abuse. These include: (1) the delay in establishing an Office of Inspector General; (2) the lack of a viable ongoing management information system; and (3) poor utilization of investigative reports recommending needed changes in management policies and procedures.

Recommendations: The Administrator, EPA, should: (1) request the resources necessary for OIG to carry out its responsibilities; and (2) direct management officials to be more responsive to investigative reports by revising EPA Order 3120.1A to more clearly define management responsibilities for taking corrective action on investigative findings, to establish timeframes for taking action, and to designate officials responsible for ensuring timely corrective action. Additionally, the Administrator, EPA, should direct the Inspector General to: (1) further develop a more organized, systematic approach to identifying fraud by instituting a management information system which will provide information on the most likely types and methods of fraud and abuse; (2) incorporate fraud detection steps into all routine audits; (3) provide more visibility, publicity, and resources to fraud and abuse programs, such as the whistleblowers hotline and code of conduct briefings; and (4) require that the cover letters forwarding closed investigative reports to management officials contain conclusions and recommendations for corrective action.

Agency Comments/Action

The agency agreed with the basic thrust of the report's conclusions and recommendations and has initiated steps to resolve some of the audit-related issues including requests for additional staffing.

Appropriations

Salaries and benefits - Environmental Protection Agency

Appropriations Committee Issues

The EPA Office of Inspector General's personnel resources fall short of those necessary to carry out statutory responsibilities. Further, a more organized and systematic approach is needed to identify fraud and abuse as such a program has the potential to reduce costs.

ENVIRONMENTAL PROTECTION AGENCY

Many Water Quality Standard Violations May Not Be Significant Enough To Justify Costly Preventive Actions (CED-80-86, 7-2-80)

Budget Function: Natural Resources and Environment: Pollution Control and Abatement (0304)
Legislative Authority: Water Pollution Control Act.

The Environmental Protection Agency (EPA) administers a Construction Grants Program under the Water Pollution Control Act to restore and maintain the quality of the Nation's waters. EPA estimates that $10 billion will be needed through the year 2000 to construct advanced waste water treatment facilities for municipal sewage for the program. GAO discussed waste water treatment with Federal and State water quality officials and consultants in the field. GAO found that advanced water treatment, which removes some pollutants left after secondary treatment, with few exceptions, may not be justified. GAO found that mathematical models used to predict water quality are often imprecise and inexact; Federal funding is insufficient to achieve water quality standards for all waterways within a reasonable time; EPA makes it difficult for States to relax or downgrade water quality standards; and relating the impact of various treatment levels to water use is difficult. Each State has developed water quality standards to protect its waterways and their uses. The standards help determine the type of wastewater treatment needed to protect waters for those uses. Advanced treatment, which may be required in municipalities, is very expensive. Violation of a water quality standard may not always mean that a significant environmental, social, or public health damage has occurred. The scientific basis for the standard may be questionable, and the water may not be important to society. In many instances, municipalities are constructing treatment facilities more sophisticated than necessary to prevent predicted water quality standard violations. The mathematical models, upon which these predictions are based, produce highly uncertain results. The law does not require communities to consider adequately the costs of achieving water quality standards. An agency analysis of nine projects did not show the significance of the projects' advanced treatment portion to the environment, effect on public health, significance of the advanced waste treatment portion on established waterway uses, or social significance or benefits of the projects.

Findings/Conclusions: Because the water quality standard setting process is questionable, modeling to determine violations is often imprecise and inexact, Federal funding is insufficient to achieve water quality standards for all waterways within a reasonable period of time, obtaining downward reclassification from EPA is very difficult, and relating the impact of various treatment levels on water uses is difficult; GAO believes that advanced waste treatment, with few exceptions, may not be justified at this time. GAO concluded that funding of advanced waste treatment projects should be curtailed. Federal funds should not be spent to provide a level of treatment that produces such uncertain results. These factors affect billions of dollars that have been, or will be, spent under the EPA Construction Grants Program. The standard setting process places too much emphasis on preventing all types of water quality standard violations rather than just significant violations.

Recommendations: The Administrator, EPA, should take steps to improve the process of setting, revising, and implementing water quality standards and help ensure that advanced waste treatment plants provide meaningful improvements to the Nation and the environment. Specifically, he should: (1) become more realistic and cost conscious about the attainability of water quality standards when a State has made a reasonable showing that the standards are unattainable or too costly to attain; (2) not impede the downgrading process with burdensome evidentiary requirements; (3) reduce the cost criteria for what constitutes an expensive sewage plant; (4) to a greater degree, accept State and local views that project costs are not commensurate with benefits; (5) permit variances in reclassification criteria in cases where stream improvement requires treatment beyond secondary to meet water quality standards, but where ecological and social or public health improvements are not significant enough to justify the costs of improvements; (6) require EPA regions to be more consistent in approving variances of water quality standards and downgrading water quality standards; (7) require, when advanced waste treatment is an issue, that at least two thorough surveys of the waterway be done, one for calibrating the mathematical model and another for verifying the calibrated model; (8) develop material to help decisionmakers know the predictive accuracy of models used to justify advanced waste treatment, and establish minimum requirements for the predictive accuracy of these models; (9) establish criteria to determine the degree of modeling reliability that will be acceptable; and (10) develop specific criteria governing what constitutes an adequate and cost-effective water quality survey for justifying advanced waste treatment projects. Finally, the Administrator should revise the advanced waste treatment review guidelines or, if necessary, suggest legislative changes to allow the deletion of the provisions that: allow projects not having significant water quality improvements to be funded because the projects will cost more if they have to be revised or redesigned to delete insignificant treatment processes; allow projects to be exempted from the review process if they involve land treatment; and allow projects to be exempted from the review process just because the State's definition of secondary treatment is more stringent than the EPA definition.

Agency Comments/Action

EPA agreed that the Nation's water pollution control program is costly and complex. But it generally did not agree with the GAO conclusions, stating they reflect a misunderstanding of the legislative objectives and fail to recognize that States may legally set their own water quality standards.

Appropriations

Abatement, control, and compliance - Environmental Protection Agency

Appropriations Committee Issues

The Clean Water Act should be amended to provide the agency with the flexibility to more closely consider costs in justifying advanced waste treatment projects.

ENVIRONMENTAL PROTECTION AGENCY

Indoor Air Pollution: An Emerging Health Problem
(CED-80-111, 9-24-80)

Budget Function: Natural Resources and Environment: Pollution Control and Abatement (0304)
Legislative Authority: Clean Air Act Amendments of 1977. Toxic Substances Control Act.

While Government and industry have concentrated on cleaning up the Nation's outdoor air, they have paid little attention to the quality of indoor air in the nonworkplace. Harmful pollutants have been found in various indoor environments in greater concentrations than the surrounding outdoor air. In some cases, indoor pollution exceeds the national standards set for exposure outdoors. Harmful pollutants which have been found in indoor air environments include: higher than average levels of radioactive radon; unhealthy levels of carbon monoxide; formaldehyde from foam insulation; nitrogen dioxide from poorly ventilated gas stoves; and smoking, a major indoor source of respirable particles. Some measures intended to reduce energy use in buildings contribute to the buildup of indoor air pollution. One material qualifying for a Federal tax credit for home insulation is a source of potentially harmful indoor air pollution.

Findings/Conclusions: While Federal officials agree that indoor air pollution poses a potentially serious health problem, they have been reluctant to study it, because they lack a clear responsibility for doing so. The lack of clear responsibility and authority has caused a duplication of some efforts. Agencies also find themselves assuming adversarial roles when assessing Federal actions on indoor air quality. Environmentalists and those concerned with energy conservation disagree about programs. Some European countries have recognized the significance of the indoor air quality standards for certain pollutants, and have taken measures to control the problem. There are low-cost ways to minimize indoor air pollution, including proper ventilation and the use of ventilating equipment and filtering devices. A massive new Federal program is not necessary now, but the Environmental Protection Agency (EPA) could develop a comprehensive, coordinated program using existing resources in both the public and private sectors.

Recommendations: The Administrator of EPA should establish a task force which will identify research activities of other Federal agencies and private institutions relating to indoor air pollution so that the EPA activities can be coordinated with them. It should compile available data on indoor air pollution and use this data to inform the public and other governmental organizations of the problem and available actions. The task force should provide advice to the Administrator on what EPA research and development efforts are needed to deal with the indoor air pollution problem. Congress should amend the Clean Air Act to provide EPA with the authority and responsibility for the quality of air in the nonworkplace.

Agency Comments/Action

EPA agreed with the recommendations and is implementing them by preparing an inventory of Federal research activities, developing a research agenda for future work, and establishing a coordinating mechanism for improving the productivity of current research and related activities.

Appropriations

Research and development - Environmental Protection Agency

Appropriations Committee Issues

The requirement for EPA long-term epidemiological studies on the effects of indoor air pollutants may require additional funding by Congress.

ENVIRONMENTAL PROTECTION AGENCY

Promising Changes Improve EPA's Extramural Research; More Changes Needed (CED-81-6, 10-28-80)

Budget Function: Natural Resources and Environment: Pollution Control and Abatement (0304)
Legislative Authority: Water Pollution Control Act (33 U.S.C. 1251 et seq.). Marine Protection, Research, and Sanctuaries Act of 1972 (33 U.S.C. 1401 et seq.). Resource Conservation and Recovery Act of 1976 (42 U.S.C. 6901 et seq.). Clean Air Act (42 U.S.C. 7401 et seq.). Noise Control Act of 1972 (42 U.S.C. 4901 et seq.).

The Environmental Protection Agency (EPA) has made a number of changes to the planning and management of its research activities. If properly implemented, they should improve the EPA research program. GAO discussed some problems which require further attention, and factors and weaknesses which, unless corrected, could continue to seriously hamper the EPA ability to meet its research needs.

Findings/Conclusions: GAO found that: (1) offices responsible for implementing EPA programs do not always participate with its research office in determining the size and scope of projects, possibly resulting in research that does not meet EPA program office needs; (2) the EPA research office has not yet fully implemented reviews of its research programs, projects, and results by experts inside and outside of EPA to determine their scientific and technical merit and validity; (3) project offices could not adequately monitor researchers' technical progress in conducting projects outside of EPA because of heavy workloads and travel limitations; (4) contracts generally take substantially longer to award than EPA standard acquisition leadtimes, thereby unduly delaying the start of needed research; and (5) EPA lacks information on past performances of outside researchers for use in determining which applicants appear best qualified to perform new projects. EPA was not satisfactorily fulfilling its research needs because of inadequate coordination, insufficient attention to long-term anticipatory research, and lack of peer review.

Recommendations: The Administrator of EPA should direct the Assistant Administrator of the Office of Research and Development to require the research committees to obtain peer review of their multiyear strategies. The Administrator of EPA should direct the Assistant Administrator of the Office of Research and Development to determine the amount of travel funds needed for project officers in the laboratories to adequately monitor the performance of extramural research. The Administrator of EPA should direct the Assistant Administrator of the Office of Research and Development, until the travel fund determinations are completed, to instruct all laboratory directors to make sure that necessary site visits to performers of extramural research receive high priority in the use of travel funds now available. The Administrator of EPA should direct the Assistant Administrator of the Office of Research and Development to require all project officers who have not already done so to attend the concentrated training course. The Administrator of EPA should direct the Assistant Administrator of the Office of Research and Development to make sure that project officers coordinate with their panels early in the procurement process so that technical evaluations can be scheduled promptly after proposals are received. The Administrator of EPA should direct the Assistant Administrator of the Office of Research and Development to use the travel fund information in (1) seeking additional travel funds in future years from the Office of Management and Budget and Congress; and (2) justifying within EPA a larger allocation of its current travel appropriations. The Administrator of EPA should direct the Assistant Administrator of the Office of Research and Development to establish procedures for obtaining the review and concurrence of supervisors or other higher level EPA officials with evaluations prepared by contracting officers, grant specialists, and project officers of extramural research performance. The Administrator of EPA should direct the Assistant Administrator of the Office of Research and Development to establish policies and procedures for grants and cooperative agreements similar to those that now exist for preparing and retaining evaluations of contractors' performance and emphasize the importance of grant specialists' and project officers' compliance with the requirements. The Administrator of EPA should direct the Assistant Administrator of the Office of Research and Development to have all project officers and contracting officers comply with the requirement to prepare good quality evaluations of contractors' performance, file these evaluations as required by established policies and procedures with the Contractor Relations Branch at EPA headquarters, and require that evaluations be used in assessing the qualifications of those seeking new awards. The Administrator of EPA should direct the Assistant Administrator of the Office of Research and Development to establish procedures that require regulatory offices and laboratories to agree before work is started that the approach and timing of research projects are reasonable to meet intended needs.

Agency Comments/Action

EPA agreed with most of the report's conclusions but stated that it was further along with improvements than the report suggested. However, EPA has not taken further steps to implement the report's recommendations.

Appropriations

Research and development - Environmental Protection Agency

ENVIRONMENTAL PROTECTION AGENCY

Costly Wastewater Treatment Plants Fail To Perform as Expected
(CED-81-9, 11-14-80)

Budget Function: Natural Resources and Environment: Pollution Control and Abatement (0304)

Wastewater treatment plants are considered to be the frontline of the Nation's battle to eliminate water pollution and restore water quality to the thousands of miles of contaminated rivers, lakes, streams, and ocean shorelines throughout the country.

Findings/Conclusions: GAO found that over $25 billion in Federal funds and several billion in State and local moneys have been spent to construct new wastewater treatment plants or to significantly modify existing plants. The Environmental Protection Agency (EPA) estimates that through the year 2000 an additional $35.6 billion in Federal funds alone will be needed to construct additional treatment plants. GAO found that many of the plants, in operation for several years, have seldom or never met the performance standards they were designed to achieve. Failure of treatment plants to meet performance expectations may not only have an adverse impact on the Nation's ability to meet its clean water goals, but may also represent the potential waste of tens of millions of dollars in Federal, State, and local moneys.

Recommendations: Congress should require the Administrator of EPA to test various alternatives to the current construction grants funding program concept including (1) turnkey, (2) becoming a signatory to the various contracts, and (3) assuming an advisor only role. Congress should require the Administrator of EPA to advise Congress annually on the progress being made to repair the identified facilities and who is being held financially accountable/responsible for making the repairs. If Federal funds are being used to make the repairs, advise Congress of the amount being spent. Congress should require the Administrator of EPA to report to Congress annually on (1) the number of municipal wastewater treatment plants, both major and minor, that have already received Federal grant funding to meet the 1977 secondary treatment requirements but are in serious violation of their permit conditions and (2) what is being proposed and done to ensure that the necessary repairs to these facilities will be made. The Administrator of EPA should require all EPA regions and strongly encourage the States to reinstitute a technical assistance program to help grantees identify, evaluate, and solve operational problems at their treatment plants. The Administrator of EPA should develop and issue policy directives and instructions to the EPA Regional Administrators and appropriate State agencies on providing legal and technical assistance to grantees who wish to take legal action for identified contract deficiencies. The Administrator of EPA should reemphasize to all involved parties that clear lines of accountability/responsibility must be established in contracts and that changes and modifications to the proposed systems during each of the three phases, planning, design, and construction, must be clearly documented.

Agency Comments/Action

EPA generally agreed with the report's conclusions and recommendations. However, no specific action has been taken by the agency to carry out the recommendations.

Appropriations

Abatement, control, and compliance - Environmental Protection Agency

Appropriations Committee Issues

The Committees should consider amending the Act to authorize EPA to test various alternatives to the current construction grants funding program concept. The Committees should require the agency to identify wastewater treatment plants constructed with Federal funds which are experiencing serious operating problems and who will be accountable for fixing those plants.

ENVIRONMENTAL PROTECTION AGENCY

Hazardous Waste Disposal Methods: Major Problems With Their Use (CED-81-21, 11-19-80)

Budget Function: Natural Resources and Environment: Pollution Control and Abatement (0304)
Legislative Authority: Resource Conservation and Recovery Act of 1976 (42 U.S.C. 6901).

GAO was asked to study alternative methods of disposal and cleanup of hazardous wastes. Specifically, the study looked into the: (1) environmental and cost effectiveness of hazardous waste disposal on the land, deep well injection, and high temperature incineration and the need for additional research and development in these areas; (2) establishment of facilities on a regional or areawide basis as opposed to an individual company's basis; and (3) hazardous waste regulations recently promulgated by the Environmental Protection Agency (EPA).

Findings/Conclusions: Disposal on the land is the predominantly used hazardous waste disposal method. Yet it presents the greatest potential risk for surface and ground water contamination and liability for damages. For the long-term interests of the country, the on-the-land disposal method needs to be drastically reduced. There was little evidence of any environmental problem resulting from the deep well disposal of hazardous wastes. However, the method should be applied only in geologically selective areas below aquifers where the wastes cannot migrate and pollute surface or ground water and reclaimable minerals. Burning of hazardous wastes in incinerators, at temperatures generally over 1,000 degrees centigrade with a specific retention period in the incinerator, may be one solution to the hazardous waste disposal problem. However, the process has had only limited application because few facilities have been built and the cost is estimated at about three times the cost of deep well injection. For land disposal, deep well injection, and high temperature incineration, research on how to develop facilities has been essentially completed. However, additional research on specific substances and site locations will continue to be needed for the long term. Disposal facilities providing services on a regional basis offer economic and environmental advantages. To date, the national problem of what to do about closed and abandoned hazardous waste sites has not been fully confronted. More time will be needed before the hazardous waste regulations are fully promulgated and implemented.

Recommendations: The Administrator of EPA should (1) set priorities through regulation of the preferred sequence by which the various disposal methods should be applied to encourage the States and industry to work toward a reduction in the use of on-the-land disposal as the predominant disposal method; (2) identify additional areas of the country suitable for the deep well disposal of hazardous wastes (EPA designated Class I wells) and, where appropriate, encourage industry to use deep well disposal as a hazardous waste disposal alternative; (3) encourage the development of high temperature burning facilities, in conjunction with the States and selected industries, in various areas of the country to better show their long-term cost advantages and environmental viability; (4) prescribe in regulations that regional or areawide disposal facilities be developed in addition to individual company disposal operations; and (5) initiate, in conjunction with the State and local governments, on a county-by-county basis, a comprehensive national inventory of closed and abandoned dump sites of the type recently completed by the State of New York. The inventory would be used to assess the total economic and environmental costs of past hazardous waste disposal.

Agency Comments/Action

EPA, in its letter to the House Committee on Government Operations and the Senate Committee on Governmental Affairs, agreed with the third and fifth recommendations but disagreed with the first, second, and fourth. GAO will continue to stress the need to implement these recommendations.

Appropriations

Abatement, control, and compliance - Environmental Protection Agency
Research and development - Environmental Protection Agency

Appropriations Committee Issues

Alternatives to land disposal of hazardous wastes need to be encouraged.

ENVIRONMENTAL PROTECTION AGENCY

Adequacy of EPA Resources and Authority To Carry Out Drinking Water Program Activities (CED-81-58, 4-23-81)

Budget Function: Natural Resources and Environment: Pollution Control and Abatement (0304)
Legislative Authority: Safe Drinking Water Act (42 U.S.C. 300f et seq.).

The Safe Drinking Water Act was passed in 1974 to safeguard public drinking water supplies and to protect the public health. The Act directed the Environmental Protection Agency (EPA) to establish national drinking water regulations which set purity standards for drinking water. It also authorized EPA to grant States primary responsibility, or primacy, for enforcing the regulations and standards. GAO reviewed the Safe Drinking Water Program administered by EPA. Two items merit attention: (1) the adequacy of resources available for selected Safe Drinking Water Program activities; and (2) the need to clarify EPA authority to carry out the activities of the Program.

Findings/Conclusions: A comparison of resources available for program implementation and operation in primacy States versus nonprimacy States revealed a significant disparity. This disparity raised questions about equity and whether people living in nonprimacy States were as well protected as those living in primacy States. Another indication that EPA may not have sufficient resources available for nonprimacy State program activities was the disparity between the resources EPA has spent and those resources nonprimacy States estimate are needed to effectively implement a drinking water program. In a prior report, GAO stated that, in nonprimacy States, the coverage by EPA may be severely limited as a result of resource constraints and may not meet the same standards that EPA requires for primacy States. It is the opinion of GAO that the Act does not clearly authorize EPA to carry out the day-to-day operations of a drinking water program in States unwilling or unable to assume primacy. Rather, the EPA role under the Act should be one of supervision, oversight, and encouragement of States to assume primacy. EPA feels that the Act authorizes and requires it to establish such programs in nonprimacy States. Because of conflicting regulations, GAO was unable to definitely state that the EPA assumption is unwarranted or legally objectionable. The House Committee on Energy and Commerce and the Senate Committee on Environment and Public Works should consider proposing amendments to the Act that would clarify EPA authority.

Recommendations: The House Committee on Energy and Commerce and the Senate Committee on Environment and Public Works should consider proposing amendments to the Act which would clarify EPA authority to undertake the day-to-day operations of a drinking water program in nonprimacy States. Furthermore, should it be decided that EPA is authorized to undertake such a program, additional resources may be required to enable EPA to provide the same program coverage as it requires of the primacy States.

Agency Comments/Action

Agency comments were not required.

Appropriations

Abatement, control, and compliance - Environmental Protection Agency

Appropriations Committee Issues

If EPA authority to operate a safe drinking water program is clarified, EPA may require additional resources to provide the same program coverage as it requires of States which are delegated responsibility for operating a safe drinking water program.

ENVIRONMENTAL PROTECTION AGENCY

Hazardous Waste Sites Pose Investigation, Evaluation, Scientific, and Legal Problems (CED-81-57, 4-24-81)

Budget Function: Natural Resources and Environment: Pollution Control and Abatement (0304)
Legislative Authority: Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (P.L. 96-510). Solid Waste Disposal Act. Resource Conservation and Recovery Act of 1976. Clean Water Act of 1977. H.R. 5074 (96th Cong.). H.R. 1049 (96th Cong.). H.R. 3797 (96th Cong.). S. 2083 (95th Cong.).

Under the Resource Conservation and Recovery Act, the Environmental Protection Agency (EPA) has a mandate to: (1) discover, investigate, evaluate, and respond to uncontrolled hazardous waste sites; (2) perform hazardous waste research; and (3) seek solutions to hazardous waste problems and, if necessary, file suit in Federal courts.

Findings/Conclusions: EPA has had difficulty in fulfilling its mandate because: (1) site investigation and evaluation activities lag behind an ever-increasing number of potential sites requiring investigation and evaluation; (2) the capabilities to identify and analyze hazardous waste and understand the real or potential risk are limited by both cost and scientific knowledge; and (3) Federal enforcement efforts have been limited by both the resources available to demonstrate potential harm in a case and by the need to identify potentially viable defendents to pay for remedial measures or cleanup costs.

Recommendations: The Administrator of EPA should assess how the Federal Government can expand its enforcement efforts at uncontrolled hazardous waste sites. If additional resources or increased legislative authority are among the alternatives, the Administrator should provide such information to Congress for its consideration. The Administrator of EPA should provide an estimate of the total EPA resources needed to investigate and evaluate potential hazardous waste sites. The estimate should be based on those sites currently known to need investigation and evaluation and those that are projected to need such action in each of fiscal years 1981 through 1985. The Administrator of EPA should provide an estimate of the amount of resources needed to clean up and respond to hazardous waste sites. Such amount should be based on those sites currently known to need cleanup or response action, those that are projected to need such action in each of fiscal years 1981 through 1985, and estimates of the fund's replenishment through responsible parties. The Administrator of EPA should direct the Assistant Administrator for Research and Development to evaluate ongoing EPA hazardous waste research programs in the biological testing, health effects, and transport and fate areas to determine what actions can be taken to increase EPA's efforts to (1) develop and standardize biological monitoring and bioassay techniques as methods for determining whether samples taken from potential hazardous waste sites are or are not hazardous, thus reducing the initial need for more costly and time-consuming chemical analysis; (2) better determine health effects, especially chronic effects, that are caused by or closely associated with exposure to hazardous waste; and (3) more accurately understand the transport and fate of hazardous substances as they leave disposal sites and migrate through the environment (soil, air, groundwater, and surface water) to reach human populations. The evaluation should specify where joint EPA/HHS research projects should be encouraged in these three areas.

Agency Comments/Action

EPA agreed that the hazardous waste site problem is large, complex, resource intensive, and not yet fully defined. EPA accepted each report recommendation and, for the most part, agreed to carry them out. However, EPA stated that it could not provide resource estimates beyond fiscal year 1982 because such estimates will be based extensively on the principles for response and site cleanup as outlined in the ongoing National Contingency Plan revision required by the Comprehensive Environmental Response, Compensation, and Liability Act of 1980.

Appropriations

Abatement, control, and compliance - Environmental Protection Agency
Hazardous Substances Response Trust Fund - Environmental Protection Agency
Research and development - Environmental Protection Agency

Appropriations Committee Issues

The Committees should monitor EPA implementation of the Comprehensive Environmental Response, Compensation, and Liabilty Act of 1980 to assure that program objectives are achievable within projected funding levels.

ENVIRONMENTAL PROTECTION AGENCY

Better Monitoring Techniques Are Needed To Assess the Quality of Rivers and Streams: Volumes I and II (CED-81-30, 4-30-81)

Budget Function: Natural Resources and Environment: Pollution Control and Abatement (0304)
Legislative Authority: 40 C.F.R. 35.1500. Water Pollution Control Act Amendments of 1972(Federal) (82 Stat. 904). Clean Water Act of 1977 (33 U.S.C. 1251 et seq.). Environmental Policy Act of 1969 (National) (42 U.S.C.4321 et seq.).

Accurate, reliable data on the actual condition of the Nation's rivers and streams are necessary for sound environmental planning and management. Existing national water quality monitoring networks do not provide the type or quality of data needed.

Findings/Conclusions: Water quality can change dramatically during 1 day, and within a short distance. Complex interactions among biological, chemical, and physical processes complicate the difficulties of water quality sampling. Infrequent measurements cannot accurately describe water quality, because rivers can change rapidly and extensively. Infrequent sampling also misses important events. Cost was a major consideration in decisions on sampling frequencies. Each sampling site is affected by unique conditions, and water quality measurements taken at one site cannot normally be applied to other locations, not even those nearby in the same river. The Geological Survey focuses primarily on riverflow, not water quality. Stations are located toward the downstream end of drainage basins. The Survey does not intend to detect any particular category of water quality, water use, or related land use. The Survey, the Environmental Protection Agency (EPA) and the Council of Environmental Quality (CEQ) have used network data in statistical comparisons of water quality, but these comparisons are highly questionable. The variability of water quality, the limited frequency and locations of samples, and the inconsistency in field work and laboratory performance make it virtually impossible to compare the data meaningfully from month to month, season to season, and year to year. Special studies of water quality designed for individual river areas could overcome many weaknesses inherent in the sampling techniques.

Recommendations: The Administrator of EPA and the Chairman of the Council on Environmental Quality should promote the use of other available indicators of national progress toward cleaner water. The Secretary of the Interior and the Administator of EPA should discontinue the three national water quality networks and shift to a program of special studies of water quality.

Agency Comments/Action

Although EPA, CEQ, the Geological Survey, and Interior's Office of Water Research and Technology agreed with some of the GAO concerns, they strongly disagreed with the recommendation to stop using the national water quality network. They believe that statistical analysis can overcome the complexities of water quality and that valid assessments can be made from infrequent sample taken at less than 2,000 locations around the country.

Appropriations

Abatement, control, and compliance - Environmental Protection Agency

Appropriations Committee Issues

Continued funding of sampling networks is questionable because reliable water quality data cannot be obtained. Special studies on rivers or river segments would yield more scientifically sound and useful information water quality.

ENVIRONMENTAL PROTECTION AGENCY

The Environmental Protection Agency Needs To Better Control Its Growing Paperwork Burden on the Public (GGD-81-40, 5-15-81)

Budget Function: General Government: Other General Government (0806)
Legislative Authority: Clean Water Act of 1977. Clean Air Act. Reports Act. Resource Conservation and Recovery Act of 1976. Paperwork Reduction Act of 1980. Toxic Substances Control Act. Executive Order 12174. OMB Circular A-40. H.R. 6410 (96th Cong.). S. 1411 (96th Cong.).

GAO was requested to examine the effectiveness of the Environmental Protection Agency's (EPA) paperwork management program and policies. Because of recent environmental legislation and program changes, the EPA requirements for information from the public are expected to increase dramatically. Until the Paperwork Reduction Act of 1980, the Federal Reports Act of 1942 provided the foundation for controlling the Federal Government's paperwork burden on the public. The Office of Management and Budget (OMB) must clear the reporting requirements proposed by most agencies including EPA.

Findings/Conclusions: EPA management has not supported its own paperwork control system. EPA interpreted the Federal Reports Act as exempting some reporting requirements mandated by law from OMB control. As a result, EPA was constrained by organizational and operational weaknesses and was only marginally effective. Ultimately, businesses were subject to numerous reporting requirements that OMB had never approved. Every business or other facility with an EPA permit for discharging wastewater is required periodically to submit a discharge monitoring report to EPA. EPA was to use this report to check whether the permit holder stayed within approved pollutant limits. However, some of the regional offices did not review or use the monitoring reports of minor dischargers because the EPA policy was to emphasize enforcement of major dischargers' permits and because the offices lacked sufficient staff. Under the Clear Air Act regulations, importers of motor vehicles or motor vehicle engines must file an EPA declaration form on which they declare whether or not the import meets Federal emission requirements or is exempt. The U.S. Customs Service investigated only 30 cases of alleged falsified information involving 62 vehicles. Burden hour estimates are an essential element in the OMB system for controlling paperwork. OMB uses the estimates to gauge the impact of a proposed requirement and, conversely, to measure progress in reducing paperwork. However, most of the EPA estimates are based on judgment, particularly those for complex requirements.

Recommendations: The Director of OMB should revise OMB Circular A-40 to encourage use of pretests, especially for complex reporting requirements. The Administrator of EPA should direct the clearance officer to periodically evaluate the practical utility of EPA reporting requirements. The Administrator of EPA should direct the Office of the Inspector General to make periodic management audits of the efficacy of paperwork controls throughout the agency. The Administrator of EPA should change wastewater discharge permits for minor dischargers so that reporting schedules are consistent with EPA capability to use the information. The Administrator of EPA should change the requirements for the declaration form for imported motor vehicles and engines so that the form would apply only in those cases where the import is not in compliance with the applicable emission requirements, or when a Customs Service inspection reveals a possible violation of the requirements. The Administrator of EPA should provide the support necessary for those responsible for implementing the Paperwork Reduction Act to: (1) maintain centralized control over the reporting requirements imposed by the agency; (2) oversee the preparation and submission of clearance requests for all requirements that meet the clearance criteria; and (3) evaluate the technical quality of all proposed information collection plans and related questionnaires.

Agency Comments/Action

EPA stated that it is concerned about the GAO findings, conclusions, and recommendations and stated that it would implement the recommendations.

Appropriations

Environmental Protection Agency

Appropriations Committee Issues

The Committees should assure that EPA implements the recommendations of this report.

ENVIRONMENTAL PROTECTION AGENCY

Billions Could Be Saved Through Waivers for Coastal Wastewater Treatment Plants (CED-81-68, 5-22-81)

Budget Function: Natural Resources and Environment: Pollution Control and Abatement (0304)
Legislative Authority: Clean Water Act of 1977. Water Pollution Control Act Amendments of 1972 (Federal) (33 U.S.C. 1251 et seq.). Water Pollution Control Act.

The Clean Water Act of 1977 allows the Environmental Protection Agency (EPA) to grant waivers to publicly owned wastewater treatment facilities so that thay can discharge primary treated municipal waste into the marine environment when it can be shown that costly secondary treatment is not necessary. Many communities have been discouraged from applying for secondary treatment waivers because of legislative constraints and restrictive EPA administration of the waiver provision. Billions of dollars in Federal, State, and local funds could be saved if coastal communities discharging primary municipal wastewaters into the marine environment did not have to build costly and unnecessary secondary treatment facilities.

Findings/Conclusions: The Clean Water Act limited some communities from requesting waivers by providing a prohibitive time limit for initiating such requests. It also provided that communities without existing marine outfalls were ineligible for the waivers. EPA restricted the issuance of waivers through complex waiver regulations and extensive information requirements. The costs involved in submitting a completed application for waiver were excessive. In addition, Federal funding was not provided for waiver studies. The scientists that GAO consulted believed that the standardized application and review process which EPA uses for all communities, irrespective of size and type of discharge, is not well suited to the waiver provision. A stratified approach was suggested which would take size and type of discharge into consideration. This would focus more attention on dischargers that have the most potential to harm the environment while allowing others to receive the waivers promptly. Immediate action by EPA and Congress would save billions of dollars in unnecessary expenditures.

Recommendations: Congress should amend the Clean Water Act of 1977 to allow for a continuous secondary treatment waiver process for all coastal communities where the communities have shown that the risk of environmental damage is minimal. In particular, Congress should (1) eliminate the requirement that treatment facilities must have an existing marine outfall to qualify for a waiver; (2) remove the statutory deadline for filing waiver applications and provide for a continuous waiver process; and (3) indicate that the waiver provision is not intended to preclude communities already achieving secondary treatment from obtaining waivers in cases where primary treatment is both cost effective and environmentally sound. The Administrator of EPA should, if Congress takes action to allow for a continuous waiver process, require step 1 facilities planning grant applicants for sewage treatment facilities in coastal areas to consider discharging primary wastes into marine waters as an alternative to secondary treatment. The Administrator of EPA should, if Congress takes action to allow for a continuous waiver process, experiment with ways of providing technical help to small coastal communities so that they can apply for secondary treatment waivers. The Administrator of EPA should, if Congress takes action to allow for a continuous waiver process, revise the waiver application process to obtain a more stratified approach that differentiates between communities based on the population served, the type of waste being discharged, and the ability of the receiving water to assimilate the wastes so that simpler application procedures are used for communities that primarily have domestic wastes and little or no industrial wastes. The Administrator of EPA should revise the EPA definition of best practicable wastewater treatment technology to allow for primary discharges into marine waters for communities that have waivers.

Agency Comments/Action

In its March 1981 response, EPA said that it generally agreed with many of the GAO proposals and believed that the report treated a number of issues on marine outfalls in a sensible manner. It also believed that more cost and environmental data should be developed before the waiver provision is reopened and expanded. On September 8, 1981, EPA tentatively approved waivers for six treatment plants in five coastal communities; the waivers would save $500 million in capital costs for treatment equipment.

Appropriations

Abatement, control, and compliance - Environmental Protection Agency

Appropriations Committee Issues

Unless the law is changed, coastal communities may be unnecessarily spending enormous amounts of capital, without receiving any substantial improvements to water quality.

ENVIRONMENTAL PROTECTION AGENCY

Wyoming Wastewater Treatment Facility Proves Unsuccessful
(CED-81-94, 6-15-81)

Budget Function: Natural Resources and Environment: Pollution Control and Abatement (0304)
Legislative Authority: Water Pollution Control Act Amendments of 1972 (Federal) (P.L. 92-500). Clean Water Act of 1977 (P.L. 95-217).

Pursuant to a congressional request, GAO investigated the circumstances surrounding the failure of the wastewater treatment facility in Thayne, Wyoming.

Findings/Conclusions: The $1.15 million facility is now being used by 106 sewage hookups in Thayne while the Star Valley Cheese Corporation (SVCC), for which the facility was principally designed, discharges its wastes directly into the local waterway. Throughout its history, the facility has been beset by problems. The spray irrigation system selected for the project was high-risk because it tended to ice up in the harsh winters and needed a high level of operation and maintenance. SVCC continually overloaded the facility's capacity to treat wastes. The project design was deficient in that both the storage pond and the land on which the treated wastewater was sprayed were too small. The construction company did a poor job: liners of the storage pond were improperly installed and the land receiving the sprayed water was improperly prepared. Operation and maintenance activities were neglected, and most of the new construction items provided for in a grant amendment were never installed. The system did not function properly to alleviate the severe odor problems caused by the SVCC high discharge levels. Because the Environmental Protection Agency (EPA) did not adequately monitor the project: more than $11,000 in industrial cost recovery payments made by SVCC were not collected from Thayne; Thayne used 34 percent of the modification and repair funds for architectural and engineering services, an amount far in excess of the grant agreement; and EPA may have overpaid the construction, repair, and modification costs by about $95,000.

Recommendations: The Administrator of EPA should require the Region VIII regional administrator to collect from Thayne the funds due the Federal Government for industrial cost recovery payments. The Administrator of EPA should require the EPA Inspector General to perform a comprehensive and detailed audit of all costs associated with the Thayne project. If ineligible or unsupported costs are found, EPA should recover these amounts.

Agency Comments/Action

EPA agreed to adopt the GAO recommendations on collecting the industrial cost recovery payments and to perform a detailed audit of all Thayne project costs, as resources permit.

Appropriations

Construction grants - Environmental Protection Agency

Appropriations Committee Issues

EPA must carry out a strong oversight role over grantees, particularly small grantees such as Thayne which lack technical expertise and face higher per capita costs of building and maintaining sewage treatment facilities.

ENVIRONMENTAL PROTECTION AGENCY

EPA's New Research Controls: Problems Remain (CED-81-124, 7-14-81)

Budget Function: Natural Resources and Environment: Pollution Control and Abatement (0304)
Legislative Authority: Environmental Research, Development, and Demonstration Authorization Act of 1978. P.L. 95-155.

External and internal criticism prompted the Environmental Protection Agency (EPA) to take various steps in 1978 to improve research controls. GAO evaluated the degree to which EPA took action to implement its new research controls and how these new procedures resolved previous research planning and management problems.

Findings/Conclusions: The GAO review of the new procedures and practices of EPA indicates that, although progress has been made, more still needs to be done. Because of the new research committees, communications between researchers and users have improved and the responsiveness of research findings to program needs is better than it was in the past. However, in many cases, the committees have not achieved agreement between researchers and the program offices concerning strategies and research to be performed. Draft and finalized strategies which GAO reviewed varied greatly in scope, detail, and presentation of program office needs and planned research activity. The relevance to program office needs of many currently planned research projects has been questioned without satisfactory resolution. Unless research groups formally agree that planned research will reasonably meet EPA priority regulatory needs, criticism of EPA research will continue. Research committees need to be kept apprised of significant modifications in the conduct of planned research. GAO found that none of the research committees it reviewed is performing this monitoring function. Existing monitoring systems are inadequate because they are either inoperative or do not contain sufficient data to effectively monitor projects. Assuring quality research is a difficult task, but generally accepted standards include peer review and publication of research results in scientific journals. EPA has made significant progress regarding peer review and publication of final research results, but more needs to be done.

Recommendations: The EPA Administrator should require all research committees to develop approved strategy documents. The EPA Administrator should require strategy documents to include both a long-term strategic outlook and a shorter term, more detailed, overview of program office needs and planned Office of Research and Development (ORD) responses. The EPA Administrator should require that the technical information plan include all ongoing research outputs agreed to via the research committee planning process, with the names of specific research users identified. The EPA Administrator should require research committees to monitor research progress and implementation plans and ensure that research users are kept apprised of research progress. The EPA Administrator should establish procedures that require regulatory offices and laboratories to agree before projects are started that the approach and timing of research projects are reasonable to meet intended needs. The EPA Administrator should require ORD progress reports to identify specific research users for all program-related projects and require these reports to be distributed to the specific users. The EPA Administrator should reinstate the Project Tracking System to include the names of specific users for all program-related projects. The EPA Administrator should require external peer review of all research strategies and ensure consistent peer review of extramural and in-house research proposals.

Agency Comments/Action

Official agency comments were not obtained, and the 60-day report has not been received.

Appropriations

Research and development - Environmental Protection Agency

ENVIRONMENTAL PROTECTION AGENCY

Solid Waste Disposal Practices: Open Dumps Not Identified; States Face Funding Problems (CED-81-131, 7-23-81)

Budget Function: Natural Resources and Environment: Pollution Control and Abatement (0304)
Legislative Authority: Solid Waste Disposal Act. Resource Conservation and Recovery Act of 1976 (P.L. 94-580). Safe Drinking Water Act (P.L. 93-523).

GAO was requested to review the status of State solid waste management plans, the conduct of the open-dump inventory, and the impact of reduced funding on State solid waste activities.

Findings/Conclusions: GAO found that over $47 million was awarded to States from October 1977 to March 1981 to develop State solid waste management plans and to conduct an open-dump inventory. However, plan development has been slow. No State plans have been approved by EPA as of June 1981. The open-dump inventory published by the Environmental Protection Agency (EPA) in late May 1981 is incomplete and is not the management tool intended to apprise Congress and the public of the overall magnitude of solid waste land disposal problems throughout the Nation. Funding for State grants is authorized through fiscal year (FY) 1982; the EPA proposed budget does not provide funding for FY 1982 because EPA expects the States' programs to be self-reliant and self-supporting by then. The States believe that, if additional Federal funding is not provided, their solid waste efforts, including implementing the State solid waste management plans and continuing the open-dump inventory, will be significantly curtailed. EPA has encouraged the States to explore alternative funding sources to finance State programs as Federal financial assistance was gradually being phased out.

Recommendations: The Administrator of EPA should encourage the States to submit the names of all disposal facilities not meeting one or more of the EPA criteria for classifying disposal facilities. After receiving the data from the States, the Administrator should publish an inventory of all facilities which do not meet the EPA criteria. The Administrator of EPA should provide to all State solid waste management agencies comprehensive reports on those States that the Administrator believes have developed alternative sources of funding to the point that State solid waste management programs are considered self-reliant and self-supporting. Such reports can serve as guides to encourage all States to develop self-reliant and self-supporting solid waste management programs.

Agency Comments/Action

EPA had not provided its official 60-day response to this report as of September 28, 1981.

Appropriations

Abatement, control, and compliance - Environmental Protection Agency

ENVIRONMENTAL PROTECTION AGENCY

Hazardous Waste Facilities Within Interim Status May Be Endangering Public Health and the Environment (CED-81-158, 9-28-81)

Budget Function: Natural Resources and Environment: Pollution Control and Abatement (0304)
Legislative Authority: Resource Conservation and Recovery Act of 1976.

When the Resource Conservation and Recovery Act was enacted, the Environmental Protection Agency (EPA) was directed to develop regulations governing hazardous waste facilities. After much delay, EPA finally issued interim status requirements outlining minimum national requirements. GAO was requested to determine: (1) the extent to which facilities with interim status meet the EPA requirements; (2) whether the requirements developed by EPA are sufficient to protect the public health and welfare; and (3) how effectively and thoroughly EPA is monitoring and enforcing these requirements. The review focused on activities performed by EPA and six selected States.

Findings/Conclusions: GAO found that: (1) not all facilities which store, treat, or dispose of hazardous waste were included by the interim status process or that facilities with interim status meet the regulations and requirements; (2) the regulations that were issued were largely administrative and nontechnical and were not intended to provide complete health and environmental protection; and (3) monitoring and enforcement of the regulations has been limited in that only a limited number of inspections have been performed by EPA and the States, the inspections resulted primarily in the issuance of compliance orders for administrative violations, and the number and amounts of fines levied have been small. EPA performed little followup to determine if all existing hazardous waste facilities, required by regulations, submitted applications. The interim status application process was not designed to determine compliance with the regulations and requirements, and the applications sought little information which could have been useful to EPA in determining problem areas and inspection needs.

Recommendations: The Administrator of EPA should direct that additional followup be made to identify that all facilities subject to the Resource Conservation and Recovery Act and that treat, store, or dispose of hazardous waste are included in the interim status control program. The Administrator of EPA should direct that additional review be made of the interim status application data provided by the facilities and, where necessary, clarifying information be obtained to identify facilities warranting additional investigative effort. The Administrator of EPA should direct that a determination be made as to the additional staffing needs, if any, for the interim status program and that options be developed as to how such staff can be obtained. The Administrator of EPA should direct that increased emphasis be placed on enforcement efforts including emphasis on technical violations at interim status facilities so that assurances can be provided that hazardous waste facilities meet at least minimum national requirements for hazardous waste management. The Administrator of EPA should direct that the level of inspections needed for full implementation of the EPA enforcement role and the necessary staff assistance to carry out the enforcement role be determined.

Agency Comments/Action

EPA had not provided its official 60-day response to this report by October 20, 1981. The EPA response is due on November 27, 1981.

Appropriations

Abatement, control, and compliance - Environmental Protection Agency

Appropriations Committee Issues

Because of the seriousness of the hazardous waste problems facing the country, the Committees should monitor EPA efforts to determine appropriate staffing needs for the interim status program and EPA success in obtaining such staffing if required.

EQUAL EMPLOYMENT OPPORTUNITY COMMISSION

Equal Employment Opportunity Commission Needs To Improve Its Administrative Activities (HRD-81-74, 4-21-81)

Budget Function: Nondiscrimination and Equal Opportunity Programs (1006)
Legislative Authority: Civil Rights Act of 1964 (42 U.S.C. 2000e). EEOC Order 321. Treasury Imprest Fund Manual 3. Treasury Imprest Fund Manual 1008.

The Equal Employment Opportunity Commission (EEOC) reorganized its field offices. It eliminated the regional offices and litigation centers and transferred their functions to 22 enlarged district offices and 25 area offices. Each district office has an operations service unit which provides administrative support, with headquarters guidance, in such matters as budgeting, personnel, supplies, and maintenance of records and a reporting system. GAO undertook a general review of the administrative activities of EEOC partly in response tc complaints received alleging abuses in this area. GAO wanted to assess how well the district offices' operations services units were carrying out their activities and how adequate and useful were the supervision and guidance they received from headquarters. GAO looked into the full range of EEOC administrative activities, including procurement practices, furniture and equipment use and control, imprest funds, personnel activities, and resource allocations.

Findings/Conclusions: The operations services units in the Indianapolis and Cleveland district offices were not fully carrying out their administrative functions. This was partly attributable to inexperienced staff, insufficient training, and key personnel concentrating on only certain tasks. The problems in staffing the unit chiefs' positions, the limited work done by the program analysts, and problems in personnel activities were echoed in EEOC officials' comments about the units in other district offices. The Indianapolis and Cleveland legal units were overstaffed, and this might be true elsewhere. EEOC headquarters authorized district offices to acquire certain office equipment, such as word processing and micrographic equipment. The equipment has not been used enough to justify its purchase or continued lease. The two district offices lacked controls over the accountability for office furniture and equipment. They neither required receipts when portable equipment was issued to employees nor maintained adequate inventory records for property or affixed required Federal ownership tags to all furniture or equipment. The imprest funds in the two district offices were not administered in accordance with the Department of the Treasury requirements. Fund levels exceeded needs, and quarterly cash verifications were not made. These conditions may also exist at other district offices.

Recommendations: The EEOC Acting Chairman should direct the Executive Director to have unneeded leased word processing equipment and other equipment returned to the lessors. The EEOC Acting Chairman should direct the Executive Director to expedite the completion of audiovisual training materials. The EEOC Acting Chairman should direct the Executive Director to ensure that, in the reorganized operations services units, adequate training is provided to staff. The EEOC Acting Chairman should direct the Executive Director to ensure that, in the reorganized operations services units, all required tasks are performed by the assigned staff. The EEOC Acting Chairman should direct the Executive Director to ensure that, in the reorganized operations services units, performance is monitored by the Office of Administration. The EEOC Acting Chairman should direct the Executive Director to reassess district office legal units' resource allocation and potential workload and adjust their staffs as appropriate. The EEOC Acting Chairman should direct the Executive Director to institute controls to ensure that equipment is purchased only after needs have been assessed and alternatives considered. The EEOC Acting Chairman should direct the Executive Director to ensure that accurate property inventory records are established, maintained, and monitored at its offices as soon as possible. The EEOC Acting Chairman should direct the Executive Director to ensure that district offices administer their imprest funds in accordance with Treasury regulations by reviewing all offices' imprest fund use and reducing their fund levels to the amount needed for 2 months. The EEOC Acting Chairman should direct the Executive Director to ensure that district offices administer their imprest funds in accordance with Treasury regulations by emphasizing to office directors the need for quarterly cash verifications. The EEOC Acting Chairman should direct the Executive Director to ensure that, in the reorganized operations services units, qualified persons are assigned to key positions.

Agency Comments/Action

EEOC agreed with the recommendations and has taken action to (1) adopt standards for timely processing of suits, and (2) dismiss, not settle, charges lacking reasonable cause. EEOC is developing plans to respond to the remaining recommendations.

Appropriations

Administration - Equal Employment Opportunity Commission, Office of Administration
Administration - Equal Employment Opportunity Commission, Office of Field Services

EXPORT-IMPORT BANK OF THE UNITED STATES

Policy Needed at Eximbank for Financing Aircraft Spare Parts and Other Support Items (ID-81-55, 7-31-81)

Budget Function: International Affairs: International Financial Programs (0155)

Pursuant to a congressional request, GAO reviewed the use of credit memorandums in connection with aircraft loans approved by the Export-Import Bank (Eximbank). Credit memorandums, granted by manufacturers as concessions in negotiating these sales, enable buyers to obtain spare parts, ground equipment, training, and other support items for aircraft at no additional cost. The loans reviewed involved two foreign companies and represented well over 50 percent of the costs for the aircraft support items.

Findings/Conclusions: GAO stated that support items generally have much shorter lives than the aircraft itself, and alternative types of financing would be more appropriate for the purchase of these items. GAO believes that excessive financing for support items on the same long-term basis as the major capital item does not contribute to the efficient allocation of Eximbank's funds. GAO concluded that, in periods of restricted lending, it is especially important for Eximbank to use available resources as effectively as possible in assisting U.S. manufacturers to compete for commercial aircraft sales.

Recommendations: The Export-Import Bank should establish a policy limiting the amount of spare parts and other support items that may be included in its direct long-term financing for commercial aircraft sales, and it should delay disbursement of loan funds for items obtainable with credit memorandums until the memorandums are used.

Agency Comments/Action

Eximbank officials generally agreed that the Bank should establish a new policy for financing aircraft spare parts and other support items and said that the recommendations would be considered. However, they believe that it would be an additional administrative burden to withhold disbursement of loan funds until credit memorandums are used. GAO does not believe that it would create an unreasonable administrative burden on the staff.

FEDERAL COMMUNICATIONS COMMISSION

FCC Did Not Act in the Government's Best Interest in Acquiring Leased Space (PLRD-81-39, 6-26-81)

Budget Function: General Government: General Property and Records Management (0804)
Legislative Authority: Property and Administrative Services Act (40 U.S.C. 471 et seq.). Economy Act (40 U.S.C. 278a).

GAO completed a review of five leases for office space which the Federal Communications Commission (FCC) negotiated under its independent leasing authority. GAO also reviewed the proposed terms and conditions of two additional leases which FCC had planned to enter into for consolidated office space. The FCC independent leasing authority is set to expire in September 1981, pending congressional action on the continuing resolution for its fiscal 1981 appropriation. In addition, FCC voted to defer action on the consolidated office space until the Senate confirmed the appointment of an FCC chairman.

Findings/Conclusions: GAO found several instances in which FCC did not fully follow Federal procurement policies and procedures or did not act in the Government's best interest in exercising its independent leasing authority. FCC did not prepare and issue a formal solicitation for offers for each lease setting forth space requirements and proposed terms and conditions. FCC agreed, or proposed to agree, to escalation of base rent according to a formula tied to annual increases in the Consumer Price Index. This type of escalation is contrary to General Services Administration (GSA) and Postal Service policy. FCC did not include certain standard Government lease clauses, such as the Economy Act limitation on annual rent. FCC also agreed to a provision on arbitration that appears to be inconsistent with a Comptroller General decision. FCC did not maintain negotiation memorandums and other standard forms and did not follow procedures prescribed by Federal procurement regulations as used by GSA. These deficient practices stemmed primarily from the FCC lack of leasing expertise and its failure to properly use the expertise and advice of its contracting officer. GAO believes that placing the function of the contracting officer at a higher level within the Office of the Executive Director would ensure that he is fully involved in leasing operations and would prevent the current deficient practices. FCC also exceeded its authority by entering into or planning to enter into multiple-year leases contingent solely upon the availability of appropriations.

Recommendations: The FCC should, in any future acquisitions of leased space, follow the Federal procurement policies and procedures which GSA has implemented in its leasing program. This will encourage maximum competition and ensure acquisition of space to the best advantage of the Government. At a minimum the Commission should (1) prepare and issue a formal solicitation for offers setting forth space requirements and proposed lease terms and conditions; (2) include in all negotiations all standard contract clauses used by GSA to implement statutory requirements or to protect the Government's interests; (3) decline to accept lease provisions permitting annual escalation of base rent unless GSA accepts and implements such practices as standard Government policy; and (4) maintain in the lease files memoranda showing price and related negotiated lease terms and conditions. To ensure that these policies and practices are enforced, the FCC contracting officer should be fully involved in the leasing process, including solicitation for offers, negotiation of lease terms and rental rates, and contract award and administration. The FCC should not exceed its authority by entering into multi-year leases.

Agency Comments/Action

FCC said that it will rely on GSA for satisfaction of its office space requirements.

Appropriations

Salaries and expenses - Federal Communications Commission

Appropriations Committee Issues

In granting FCC authority to lease in future annual appropriations, the Committees should stipulate that FCC follow Federal procurement policies and procedures when exercising independent leasing authority.

FEDERAL COMMUNICATIONS COMMISSION

Legislative and Regulatory Actions Needed To Deal With a Changing Domestic Telecommunications Industry (CED-81-136, 9-24-81)

Budget Function: Commerce and Housing Credit: Other Advancement and Regulation of Commerce (0376)
Legislative Authority: Communications Act of 1934 (47 U.S.C. 151 et seq.). H.R. 6121 (97th Cong.). S. 898 (97th Cong.). 77 FCC 2d 384 (1980). B-200146 (1980).

The Federal Communications Commission, supported by the courts, has issued a series of decisions which have allowed competition into the manufacture of telecommunications terminal equipment and into the interstate provisions of telecommunications services. GAO conducted a review to evaluate the Commission's program for regulating domestic telecommunications common carriers in light of the changing industry structure.

Findings/Conclusions: Commission monitoring of the still-changing telecommunications industry structure would provide a basis for determining which carriers are dominant and which programs and policies can be applied to these carriers and would enable the Commission to measure its effectiveness in encouraging competition. In implementing the program of price/earnings regulation, the Commission has focused on establishing carriers' rates of return and has paid little attention to carrier investment cost and expenses. Uncertainty exists regarding the Commission's authority to authorize the construction of carrier facilities, particularly when it extends to carrier switching equipment. Allocating costs appropriately amoung various telecommunications services is a critical aspect in preventing potential cross-subsidy between monopoly and competitive services. The Commission has had limited success in implementing its broad principle that costs should be fully distributed among all services. To develop a long-term costing approach, the Commission needs to revise its Uniform System of Accounts. The Commission has had difficulty in obtaining carriers' cost data from which it can prescribe a lawful tariff. The separate subsidiary approach proposed by the Commision does not go far enough in providing for organizational restructuring and separation conditions, and the Commission has moved too quickly in implementing this approach. The Commission has not resolved questions regarding the methods and procedures needed to set new depreciation rates and the problem of access discrimination.

Recommendations: If Congress wishes to endorse the development of competition, it should amend title I of the Communications Act to direct FCC to rely on competition and the private sector to the maximum extent possible to achieve the overall goals of the Act. If Congress wishes to endorse the development of competition, it should amend title II of the Communications Act to allow FCC, upon finding that it is in the public interest, to exempt any carrier from any or all provisions of title II. Congress should clarify the FCC facility authorization authority by amending section 214 of the Communications Act of 1934 to explicitly authorize FCC to authorize carriers to submit to it for approval applications to construct any new facilities or extensions thereof which are subject to its regulatory jurisdiction. Congress should clarify the FCC facility authorization authority by amending section 214 of the Communications Act of 1934 to explicitly authorize FCC to require carriers to file with it long-term facilities construction plans in lieu of, or in addition to, such applications and to establish such conditions and reporting requirements as are necessary to assure that such plans are followed. Congress should amend section 205 of the Communications Act to give FCC the authority to prescribe an interim tariff based on the cost data which a carrier submits in support of its tariff. The interim tariff would go into effect at the end of any suspension period FCC might designate. The interim tariff should have a limited lifespan. During this time, FCC will hold a hearing and, at the hearing's conclusion and based on the data presented in the hearing, FCC will prescribe a permanent tariff. Congress should amend the Communications Act of 1934 to establish the basic framework necessary to create the existence of nondiscriminatory access conditions. FCC should establish within the Common Carrier Bureau an industry analysis section whose analyses should provide a framework for future Commission decisions for regulating dominant and nondominant carriers in light of changing market conditions and would enable FCC to measure the effectiveness of its policies designed to foster and encourage competition. FCC should initiate a proceeding to explore changes needed to facilitate or otherwise improve the FCC rate-of-return-setting process for dominant carriers including: (1) opportunities for coordinating its rate-of-return determinations with those of State public utility commissions; (2) the possible use of formats for presentations of cost of equity capital; and (3) methods which could be used to adjust carriers' rates of return between formal rate of return proceedings. FCC should initiate a project with the Common Carrier Bureau to examine dominant carriers' efficiency and productivity. This inquiry should explore possibilities for linking carriers' rates of return to efficiency and productivity gains. FCC should resolve the issues relating to the AT&T 1978 apparent excess earnings by completing the October 1979 notice of inquiry. FCC should reestablish within the Common Carrier Bureau's Economics Division a group with clear responsibility and adequate resources to: (1) develop methods for testing the reasonableness of carrier investment costs and expenses; (2) identify and investigate deviations by carriers from cost standards and recommend corrective action; and (3) monitor rate base components and recommend action in those cases where the amounts appear unreasonable or inappropriate. This group's activities should be fully coordinated with those of other groups within the Bureau that have related functions. FCC should increase the scope of the Common Carrier Bureau's audit program to enable it to review, appraise, and report on carriers' operations and activities to support the

FCC rate of return/rate base regulatory responsibilities. FCC should establish a program within the Common Carrier Bureau to improve overall coordination between the Bureau's regulatory activities, including its rate base and expense analysis functions and those of State public utility commissions. FCC should develop a clear, unambiguous cost allocation methodology in the near term by revising the Interim Cost Manual to (1) expand the number of service categories and (2) develop an independent set of allocation factors which would allow minimal carrier discretion in their measurement and application. FCC should revise the Uniform System of Accounts to provide a cornerstone for an acceptable long-term costing approach. FCC should coordinate the system of accounts' development with revision of separations procedures and the restructuring of private line services. FCC should develop, based on the revised system of accounts, a costing approach which aggregates costs of a particular service from the bottom up. FCC should initiate a proceeding to evaluate the feasibility of using generic components in services beyond the private line services currently under consideration. To produce a uniform system of accounts, FCC should establish a group consisting of accountants, engineers, economists, and attorneys to work primarily on the uniform system of accounts revision. To produce a revised uniform system of accounts, FCC should appoint an individual, with demonstrated leadership ability and sufficient knowledge of the project, to head the group and give this person clear authority over the group. To produce a uniform system of accounts, FCC should develop a timetable establishing a swift but realistic schedule for completing the project. FCC should update the uniform system of accounts to reflect current technology and business functions and to capture necessary allocation data in a form which can be audited and reviewed. As part of this effort, FCC should explore opportunities to merge the separations process and the uniform system of accounts to increase the accountability and reduce the overlap in both systems and examine opportunities for direct attribution while balancing the benefits of such attribution with its cost. As a part of implementing any deregulatory scheme for enhanced service and customer premises equipment offerings based on the use of fully separated subsidiaries, FCC should resolve outstanding costing, accounting, and depreciation issues which must be implemented prior to establishing separate subsidiaries. As part of implementing any deregulatory scheme for enhanced service and customer premises equipment offerings based on the use of fully separated subsidiaries, FCC should assemble, organize, and train a staff for the essential tasks of monitoring, auditing, and enforcing compliance with its structural separation requirements and associated conditions. As part of implementing any deregulatory scheme for enhanced services and customer premises equipment offerings based on the use of fully separated subsidiaries, FCC should give full and careful consideration to the potential benefits to be gained through a requirement of outside equity participation in separate subsidiaries and prescribe appropriate capitalization and financing arrangements for the separate subsidiaries. In using the separate subsidiary device for enhanced services and customer premises equipment, FCC should adopt an approach which more closely approximates true maximum separation. This implies separate directors, officers, and operating personnel; separate books of accounts, records, and reports; separate physical facilities and space; appropriate restrictions on the rotation of officers and operating personnel among the corporate entities; and separate subsidiaries performing for themselves the bulk of basic operating functions such as marketing, advertising, applied research and development, procurement, manufacturing, and administrative services provided by the parent to the separate subsidiaries on a fully cost compensatory, fully auditable basis. In place of a single conglomerate subsidiary for all of the dominant carrier's deregulated enhanced service and customer premises equipment offerings, FCC should, in the context of its intended review of subsidiary capitalization plans, include an assessment of requiring the dominant firm to establish multiple, fully separated subsidiaries. FCC should initiate a proceeding to evaluate the need for structural separation of a dominant carrier's interexchange facilities and activities from its purely interexchange operations. Before prescribing depreciation rates based on changes adopted in Dockets 20188 and 79-105, FCC should: (1) develop specific procedures for evaluating and monitoring a carrier's depreciation rates based on equal life group depreciation; (2) require depreciation reserves by vintage for a carrier impementing equal life group depreciation; (3) identify the requirement units and methods for depreciating the outside plant of station connections; and (4) audit, through random selection, the carrier's division of the station connections account. Before implementing its Computer II decision to deregulate new customer premises equipment and continue regulating embedded customer premises equipment, FCC should first identify the depreciation reserve deficiencies by plant account, develop a method for their recovery, and establish a framework for deregulating all customer premises equipment. FCC should initiate a project within the Common Carrier Bureau to develop a long-term plan for carrying out the tasks necessary to establish an access charges system in light of the framework described in this report. It should use this plan as a basis for evaluating the need for and desirability of any interim action which it proposes.

Agency Comments/Action

Although the report was recently issued on September 24, 1981, the Commission has begun to take action during ongoing and special Commission meetings held on October 1 and 7, 1981.

Appropriations

Common carrier - Federal Communications Commission

Appropriations Committee Issues

Congressional guidance is needed on the relative priority of common carrier and other, sometimes competing, regulatory objectives. The Committees should be sure that the Commission has sufficient resources to carry out its planned efforts.

FEDERAL EMERGENCY MANAGEMENT AGENCY

Terminating the Audit of the National Flood Insurance Program's Fiscal 1980 Financial Statements (AFMD-81-93, 9-21-81)

Budget Function: Community and Regional Development: Disaster Relief and Insurance (0453)
Legislative Authority: Flood Insurance Act of 1968 (42 U.S.C. 4001). Government Corporation Control Act (31 U.S.C. 841).

In July 1980, GAO began auditing the Federal Insurance Administration's (FIA) National Flood Insurance Program (NFIP). The objective of the audit was to express an opinion on the NFIP fiscal 1980 financial statements. GAO will not meet this objective because the Federal Emergency Management Agency (FEMA) has been unable to produce financial statements for NFIP. Pursuant to Federal regulations, the GAO report to Congress on NFIP was due April 15; 6.5 months after the close of the fiscal year. Since that date has passed, it is no longer useful for GAO to continue auditing the 1980 statements. Accordingly, GAO stopped the 1980 audit and redirected its efforts toward a more in-depth study of the internal control system.

Findings/Conclusions: The Government Corporation Control Act requires annual financial statements, and NFIP is subject to this requirement. No financial statements have been prepared since the last GAO audit in 1977, and FEMA has been unable to supply GAO with satisfactory fiscal 1980 financial statements. The inability to provide the statements was caused by the FEMA Accounting Branch's failure to carry out its accounting control and reporting responsibilities. FEMA was further deficient in not having personnel with the expertise necessary to prepare financial statements in accordance with generally accepted accounting principles. Additional problems arose because the contract did not contain a provision requiring the contractor to account for and report transactions in accordance with generally accepted accounting principles and the contractor failed to maintain proper controls over its financial reporting. FIA compounded these problems by failing to adequately monitor the contractor's accounting and reporting performance. The parties involved are trying to correct the account balance discrepancies. GAO concluded that, although this needs to be done, it will not resolve the fundamental weaknesses in accounting for NFIP operations.

Recommendations: FEMA should staff the Accounting Branch with qualified accountants and charge them to improve the NFIP accounting and reporting system. FEMA should require the contractor to use an accounting system which provides for financial statements prepared in accordance with generally accepted accounting principles and standards. FEMA should require the contractor, as insurance program operator, to establish and maintain recordkeeping procedures sufficient to provide FEMA and FIA with accurate, complete, and timely information. FEMA should emphasize to FIA financial monitors that they are responsible for insuring that adequate control is maintained over Federal funds, and that their duties include monitoring all contractor accounting controls and financial reporting procedures.

Agency Comments/Action

FEMA acknowledged the existence of the problems that GAO identified and indicated that a number of actions are being initiated to resolve them.

Appropriations

Emergency planning, preparedness, and mobilization - Federal Emergency Management Agency

FEDERAL ENERGY REGULATORY COMMISSION

Federal Energy Regulatory Commission's Hydroelectric Permitting and Licensing Efforts Are Being Hampered by Hybrid Applications and Staffing

(EMD-81-80, 5-26-81)

Budget Function: Energy: Energy Supply (0271)
Legislative Authority: Federal Power Act.

Increases in the price of imported oil have brought renewed interest in developing domestic energy resources. One such resource is hydropower, the use of which has increased tremendously over the past few years. Applications for preliminary permits have increased rapidly, and the Federal Energy Regulatory Commission (FERC) estimates that these permits will more than double by September 1981.

Findings/Conclusions: Even though the number of applications has been escalating, FERC has been able to reduce its processing time by streamlining the methods used in issuing permits and licenses. However, GAO recently noted that the processing time is beginning to increase again. Two problem areas were identified. The first involves an increasing number of hybrid permit applications. At present, 100 hybrid cases are pending, and FERC has ruled on only one. A review of this area showed that no policy has been developed to handle these permits more expeditiously. The hybrid preliminary permit issue has presented FERC with questions which need to be resolved. The second area deals with staffing. Staffing has remained stable for the past few years while permit and license applications have increased substantially. In addition, the current budget proposals would reduce existing staff which could cause an increase in processing time.

Recommendations: FERC should (1) evaluate whether increasing the exemption will result in fewer applications; (2) assess the number of preliminary permits which have a high probability of resulting in license applications; and (3) make an assessment of the minimum number of staff to handle the present and projected volume of preliminary permits and licenses. The Chairman of FERC should expeditiously develop criteria which would set forth the conditions for awarding preliminary permits under hybrid applications. If, upon receiving the information requested by its February 1981 public notice inquiry, the Commission cannot make a decision on the hybrid issue, it may want to seek congressional guidance concerning a clarification of the municipal preference clause.

Agency Comments/Action

DOE agreed with GAO recommendations but is not sure how to develop the criteria needed. At this time, DOE is still studying the problem.

Appropriations

Operations and regulation - Federal Energy Regulatory Commission, Division of Licensing

FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL

Federal Examinations of Financial Institutions: Issues That Need To Be Resolved (GGD-81-12, 1-6-81)

Budget Function: Commerce and Housing Credit: Other Advancement and Regulation of Commerce (0376)

Key issues were identified which the Federal Financial Institutions Examination Council (Council) must address if it is to be successful in developing uniform examination principles and standards. Examination philosophies and practices followed by five Federal regulatory agencies in examining financial institutions were described and the effects and differences of the practices noted. The five agencies described included the Office of the Comptroller of the Currency, the Federal Reserve System, the Federal Deposit Insurance Corporation, the Federal Home Loan Bank Board, and the National Credit Union Administration.

Findings/Conclusions: GAO surveyed the practices followed by the agencies in examining the commercial activities of financial institutions and found that: (1) there are differing practices among and even within agencies regarding acceptance of examinations made by State regulatory agencies in lieu of their own; (2) the agencies have different criteria for scheduling examinations which generally do not adequately weigh the risks of institutional failure or problems against the cost and burden of examinations, with the result that some institutions may be examined more frequently or less frequently than necessary; (3) the use of timesaving techniques varies among the agencies; (4) the agencies have different policies regarding reliance on institutions' internal review groups, with the result that some work that is competently performed by these groups is duplicated; (5) the amount of data included in the examination reports varied among the agencies, and some data included in the reports did not appear to be useful to either the regulator or the financial institution; (6) the agencies place varying emphasis on examining management activities in the institutions even though there appears to be little difference in examination objectives among the five Federal agencies; and (7) the agencies have different policies regarding specific guidelines for conducting and documenting examinations.

Recommendations: The Federal Financial Institutions Examination Council should develop a system for determining the timing of examinations which is based on a perceived need to examine rather than on the basis of a static timeframe. The Federal Financial Institutions Examination Council should develop examination standards which limit the amount of detailed work performed during a routine examination unless potential problems are detected. The Federal Financial Institutions Examination Council should develop examination principles which require Federal examiners to rely on functions adequately performed by others such as internal and external audit and internal loan review departments. The Federal Financial Institution Examination Council should develop uniform standards for reporting the results of examinations which limit the amount of detailed data to that which is necessary for effective supervision. The Federal Financial Institutions Examination Council should develop a Federal Government-wide policy under which Federal regulators, using the criteria, developed to assess the quality of examinations performed by State agencies, would assess and monitor the quality of State examinations and accept examinations that are competently performed by State agencies in lieu of their own. The Federal Financial Institutions Examination Council should define the various regulators' supervisory role, in particular as it relates to the routine and systematic examination of management in financial institutions without unsafe and unsound financial conditions. The Federal Financial Institution Examination Council should prescribe uniform principles and standards consistent with the above identified supervisory role and commensurate with an acceptable level of risk and cost. The Federal Financial Institution Examination Council should define, with the guidance of the congressional legislative oversight committees, how forcefully the regulators should promote the establishment and maintenance of sound management. The Federal Financial Institutions Examination Council should include in its prescribed principles and standards the requirement that Federal regulators develop examination procedures that clearly identify (1) examination objectives; (2) examination tasks required to achieve the objectives; and (3) documentation required to fully support report comments, conclusions, and recommendations and to provide a basis for supervisory review. The Federal Financial Institutions Examination Council should develop criteria for Federal regulators to assess the quality of examinations performed by State agencies, and to monitor the State's examination programs to assess changes which may affect the acceptability of the States' programs for Federal needs.

Agency Comments/Action

The Federal Financial Institutions Examination Council generally agreed with the issues GAO identified and with the GAO assessment that the Council should address these issues in developing uniform principles and standards. The Council, however, questioned whether it was appropriate for it to: (1) assess the acceptability of State examinations; and (2) establish a Government-wide policy which requires Federal regulators to accept examinations that are competently conducted by State examiners. While the Council has directed one of its task forces to explore ways in which the Federal regulators can place greater reliance on State examinations, it believes that any final decisions regarding the acceptability of State examinations in lieu of Federal examinations should be made by the Federal regulators.

FEDERAL HOME LOAN BANK BOARD

Federal Home Loan Bank Board's Management of Its Procurement Activities Should Be Improved (PLRD-81-18, 5-13-81)

Budget Function: General Government: General Property and Records Management (0804)
Legislative Authority: Architectural Barriers Act of 1968 (P.L. 90-480; 42 U.S.C. 4151 et seq.). Home Loan Bank Act (12 U.S.C. 1421 et seq.). Public Buildings Cooperative Use Act of 1976. Davis-Bacon Act (Wage Rates). Property and Administrative Services Act (41 U.S.C. 254(b)). 41 C.F.R. 1-1.002. 41 C.F.R. 1-1.004. 41 C.F.R. 1-1.405. 41 C.F.R. 1-3.401(b). 41 C.F.R. 1-8.207(a). 41 C.F.R. 1-8.211. 41 C.F.R. 101-19.6. 41 C.F.R. 101-38.1202. 41 C.F.R. 101-38.13. 41 C.F.R. 101-38.1304. 41 C.F.R. 101-38.1306. 41 C.F.R. 101-39.602. P.L. 89-754. EEOC Management Directive 703. 12 U.S.C. 1438(c).

GAO reviewed certain areas concerning the Federal Home Loan Bank Board's acquisition and management of its new headquarters building and certain personnel activities. The specific concerns were: whether a food concession agreement was being administered properly, deficiencies and irregularities found during an internal audit on the building's construction, Board compliance with Federal procurement regulations in its real property transactions, building code violations, compliance with the Architectural Barriers Act, controls over employee merit awards, employee travel controls, and controls over the use of Board vehicles. GAO also reviewed the circumstances surrounding the termination settlement of a design contract.
Findings/Conclusions: Due to a lack of authority to lease its property for commercial purposes, the Board is currently seeking a court order declaring the agreement invalid and requiring a food concession to vacate its premises. Because the matter is in litigation, GAO would not discuss whether the concession agreement was being administered properly. GAO believes that the Board included all reportable findings in its audit report on its review of an interior construction and finishing contract. The Board terminated a consultant contract because of problems with time schedules, contract overruns, the budget, and coordination with construction teammembers. The settlement paid included claims which were not substantiated as allowable, resulting in unnecessary costs to the Board. The Board did not adhere to good procurement practices when it designated members who were not disinterested employees to a settlement review board, and did not request its audit office to review the settlement claim before payment. GAO found that the Board did not follow good procurement practices in four past procurements. Building inspections have not been completed and the building is not fully accessible to the physically handicapped. Better controls are needed over Board vehicles. However, Board procedures for justifying and approving employee awards are properly managed. GAO did not review controls over employee travel.
Recommendations: The Chairman of the Federal Home Loan Bank Board should direct the Board's administrative office to correct deficiencies found during additional inspections and document such actions. The Chairman of the Federal Home Loan Bank Board should require contracting personnel to adopt and comply with the Federal Procurement Regulations on future procurements of real and related personal property. The Chairman of the Federal Home Loan Bank Board should direct Board personnel to establish additional controls to ensure the proper use of credit cards and vehicles. The Chairman of the Federal Home Loan Bank Board should require procurement officials to take action, to the extent possible, to bring current contracts in compliance with the Federal Procurement Regulations. The Chairman of the Federal Home Loan Bank Board should direct the Board's administrative office to require building inspections for that part of the Board's headquarters building where insufficient evidence exists to show that the building has been inspected and complies with GSA building codes. The Chairman of the Federal Home Loan Bank Board should direct Board personnel to reduce motor pool costs by: (1) determining the number of vehicles and the operational equipment needed, considering applicable Federal Personnel Management Regulation requirements on mileage and operational equipment restrictions and the cost of other alternatives; (2) devising a more efficient system for using vehicles, considering planned daily trips on a scheduled basis and limiting use by request to only special occasions; and (3) analyzing provisions of current leases to determine the most economical way to reduce the number of leased vehicles.

Agency Comments/Action

The Federal Home Loan Bank Board basically concurred with the GAO findings and has taken the following actions: (1) implemented or plans to implement additional procedures to insure maximum competition, limit sole-source procurements, eliminate cost plus percentage of cost contracts, require legal reviews of contract documents, and establish administrative controls to provide constant oversight of ongoing contracts; (2) disagreed with any GAO reference which questions the safety of the Federal Home Loan Bank Board building; (3) removed one telephone from the leased vehicles; (4) established instructions and policy to insure that vehicles are available to serve the operational needs of the Federal Home Loan Bank Board; (5) directed that the General Services Administration's standards be followed and lower miles-per-gallon vehicles be leased upon expiration of current leases; and (6) established additional controls to insure the proper use of credit cards and vehicles.

FEDERAL HOME LOAN BANK BOARD

Formal Supervisory Process for Savings and Loan Associations Should Be Strengthened (GGD-81-91, 9-17-81)

Budget Function: Commerce and Housing Credit: Mortgage Credit and Thrift Insurance (0371)
Legislative Authority: Home Loan Bank Act (12 U.S.C. 1421). Home Owners' Loan Act of 1933 (12 U.S.C. 1462). Housing Act (12 U.S.C. 1725). Emergency Home Finance Act of 1970 (12 U.S.C. 1451). Financial Institutions Supervisory Act of 1966 (68 U.S.C. 634). Financial Institutions Regulatory and Interest Rate Control Act of 1978 (12 U.S.C. 226).

GAO assessed the ability of the Federal Home Loan Bank Board to examine and supervise members of the savings and loan industry. The effectiveness of the Board's supervision of savings and loan associations is extremely critical at this time since many industry members are experiencing financial difficulties.

Findings/Conclusions: Despite the increase in the number of savings and loan associations that are of supervisory concern to the Board, the use of formal supervisory actions has declined. This decline is caused by the ambiguity of Board policy, the untimely processing of formal actions, and the indecisiveness of supervisory personnel. Considerable judgment must be exercised by the supervisory personnel as to when and what type of actions should be taken against noncomplying or troublesome associations. In cases where informal actions are ineffective, stronger formal actions may be necessary, including cease and desist orders and supervisory agreements. However, because of policy and processing problems, supervisory agreements and cease and desist orders are not readily available for use. Consequently, supervisory personnel place greater reliance on informal actions. As a result, GAO believes that the Board's ability to supervise its members is reduced. The State examiner training program was created to alleviate these problems, but it is not adequately controlled and administered by the Board. Consequently, the program is not linked to the Board's goals and is not fulfilling the intent of Congress. GAO continues to believe that the Board should make the maximum use possible of State examinations and reports. However, the Board does not have the necessary control to properly administer and manage the plan because of the dual Federal and State administration of the training program.

Recommendations: The Federal Home Loan Bank Board should: (1) clarify its position on the extent to which formal enforcement actions should be pursued in supervising the savings and loan industry; (2) delegate to supervisory agents the authority to use supervisory agreements for problems other than net worth failure; (3) direct the Office of Examinations and Supervision (OES) to prescribe uniform principles and standards for supervisory agents and OES personnel as to how and when formal supervisory tools, including an expanded supervisory agreement, should be used; (4) accept the recommendations of the Office of General Counsel Compliance Division to eliminate prior Board approval for formal investigations and the negotiation of consent cease and desist orders; (5) assume greater control over the selection of the States from which examiners are trained; and (6) select the States on the basis of criteria which will give priority to examiners needing training from those States participating in or offering the greatest potential for participation in joint examination or shared report programs.

Agency Comments/Action

The Federal Home Loan Bank Board has not yet commented on the report.

Appropriations

Limitation on administrative and nonadministrative expenses - Federal Home Loan Bank Board

Appropriations Committee Issues

There is a lack of Federal Home Loan Bank Board control over the State Examiner Training Program.

FEDERAL HOME LOAN BANK BOARD

The Federal Home Loan Bank Board Should Require Organizers of Mutual Associations To Pledge More Savings When the Association's Likelihood for Success Is Questionable

(GGD-81-92, 9-18-81)

Budget Function: Commerce and Housing Credit: Mortgage Credit and Thrift Insurance (0371)
Legislative Authority: Housing Act (12 U.S.C. 1725).

A review was conducted to assess the Federal Home Loan Bank Board's (FHLBB) examination and supervisory functions. The review addressed the FHLBB requirements for chartering mutual associations, the Office of Industry Development's (OID) and the District banks' analyses of charter applications, the Board's decisionmaking process for chartering new mutual savings and loan associations, the FHLBB minimum financial requirements for organizers of new mutual associations, and the extent to which the financial requirements reflect the associations' potential for success.

Findings/Conclusions: The review showed that FHLBB: (1) frequently approved applications to organize mutual associations when there was disagreement between the OID and the district bank about the associations' ability to succeed; and (2) has not required new mutual associations to pledge savings higher than the minimum, although the supervisory agents recommended such action or disapproval of the application.

Recommendations: FHLBB should require organizers of new mutual associations it charters to pledge accounts in amounts greater than the minimum requirement when a district bank and OID disagree about the likelihood of an association's success.

Agency Comments/Action

Agency comments have not been received.

Appropriations

Salaries and expenses - Federal Home Loan Bank Board

FEDERAL MEDIATION AND CONCILIATION SERVICE

The Federal Mediation and Conciliation Service Should Strive To Avoid Mediating Minor Disputes (HRD-81-14, 10-30-80)

Budget Function: Education, Training, Employment and Social Services: Other Labor Services (0505)
Legislative Authority: Taft-Hartley Act (Labor). Civil Service Reform Act of 1978 (5 U.S.C. 7101). 29 U.S.C. 142(3). 29 U.S.C. 152(2). 29 U.S.C. 152(3). 29 U.S.C. 173(a). 29 U.S.C. 173(b).

GAO reviewed the Federal Mediation and Conciliation Service's (FMCS) activities to determine whether they were within the authority of enabling legislation, and to evaluate the adequacy of FMCS management practices for determining jurisdiction in a labor dispute and for reporting on resources used. GAO focused its analysis on the 19 States which have mediation services. FMCS was created to promote industrial peace and the Nation's economic welfare by resolving labor disputes through collective bargaining. The Taft-Hartley Act provides for FMCS involvement in any labor dispute in industries affecting commerce if, in FMCS judgment, such a dispute threatens to cause a substantial interruption of interstate commerce. FMCS is directed to avoid attempting to mediate disputes that have only a minor impact on interstate commerce if State services are available. State and local governments are specifically excluded from the Act's coverage.

Findings/Conclusions: GAO found that FMCS has not followed the criteria provided by statute. FMCS involvement was questionable in 103 of the 404 dispute mediation cases which were reviewed. FMCS did not make a determination of the potential for substantial interruption of interstate commerce before it became involved. Instead, FMCS considered such factors as the number of employees in the union, the potential impact on the local community, whether FMCS assistance was asked, and whether FMCS had mediated the parties' last dispute. FMCS has not determined which States have inadequate mediation services. Sixty-five percent of the FMCS workload was in States having mediation services. It had not established the cooperative agreements with States having mediation services authorized by the Act. The Act specifically excludes, by definition, State and local governments from FMCS coverage, but FMCS has mediated State and local public employee disputes, and involvement in these disputes is increasing. About one-half of FMCS public sector mediations in fiscal year 1978 were in States that had legislated procedures to resolve State and local public employee disputes. FMCS does not have adequate information on the use of its staff resources. FMCS needs information on caseload time for allocating resources and time, and preparing budget submissions. FMCS continued involvement in minor disputes in States without a mediation service creates a disincentive for these States to provide such services.

Recommendations: Congress should consider the desirability of continued FMCS involvement in minor disputes in States without mediation services. If Congress wishes to increase the involvement of these States in the mediation of minor disputes, it should define the FMCS role for encouraging States to establish mediation services. If Congress wishes to remove the existing disincentive, it should amend the Taft-Hartley Act to direct FMCS to avoid mediating any disputes which would have only a minor impact on interstate commerce. Congress should determine whether the FMCS involvement in State and local public employee disputes is appropriate. If so, Congress should amend the Taft-Hartley Act to specify the conditions under which FMCS involvement would be appropriate. If not, congressional committees should assure that FMCS end its involvement in State and local public employee disputes. The Director of FMCS should monitor the basis for FMCS involvement in labor disputes to assure that its criteria are properly applied. The Director of FMCS should establish written cooperative agreements with State and local mediation agencies to define the types of cases each will mediate. The Director of FMCS should establish and implement a timetable for transferring complete responsibility for mediating minor disputes to State agencies. The Director of the FMCS should establish a system to account for the resources used on individual and total dispute mediation, technial assistance, and public information activities. This information should be used in making future staffing level decisions and in preparing budget submissions to the Congress. The Director of FMCS should require a determination that a dispute threatens substantial interruption of interstate commerce before FMCS becomes involved in labor disputes when a State or local mediation service is available.

Agency Comments/Action

FMCS has commented that it does not agree with the conclusion that FMCS involvement in State and local public employee disputes is of questionable legality. It has further stated that its involvement in the public sector is both authorized by statute and is desirable public policy. Consequently, FMCS has taken no action to lessen its activities in public sector disputes.

Appropriations

Salaries and expenses - Federal Mediation and Conciliation Service

Appropriations Committee Issues

The Committees should consider the issue raised in the recommendation regarding the FMCS involvement in public employee disputes.

FEDERAL RESERVE SYSTEM

Federal Reserve Could Improve the Efficiency of Bank Holding Company Inspections (GGD-81-79, 8-18-81)

Budget Function: Commerce and Housing Credit: Other Advancement and Regulation of Commerce (0376)
Legislative Authority: Banking Act of 1933 (48 Stat. 168). Bank Holding Company Act (70 Stat. 133). Financial Institutions Regulatory and Interest Rate Control Act of 1978 (92 Stat. 3683). 80 Stat. 236. 80 Stat. 1760.

GAO reviewed the Federal Reserve's bank holding company supervision program. The report was done because the number of bank holding companies has grown rapidly, and the Federal Reserve has made a number of changes to improve its supervision and accommodate the increasing workload. GAO wanted to determine whether further revisions in holding company inspection procedures were needed.

Findings/Conclusions: GAO found indications that certain operating characteristics of bank holding companies were related to the degree of risk to which the company might be exposed. The risk seemed particularly high if the holding company had credit-extending nonbank activities. GAO found that the Federal Reserve may not be adequately addressing this risk in determining: (1) what information holding companies should be required to report to permit effective monitoring and inspection of these activities; (2) when to make inspections because of potential problems; and (3) how much examination coverage should be given to these activities. Moreover, GAO found that in some districts more information and expertise may be needed to properly evaluate nonbank activities. GAO also found that more flexibility was needed in the Federal Reserve's holding company supervision policy, in addition to exercising more control over surveillance actions taken by district banks. Finally, GAO believes that the Federal Reserve could further increase the efficiency of onsite inspections by relying on bank examiners to obtain needed bank holding company data during subsidiary bank examinations.

Recommendations: The Chairman, Board of Governors of the Federal Reserve System, should clarify inspection frequency guidelines to encourage district banks to inspect holding companies whenever there is a perceived need, regardless of inspection schedules. In assessing perceived need, the district banks should place greater reliance on surveillance and give more emphasis to companies which have nonbank subsidiaries that extend credit. The Chairman, Board of Governors of the Federal Reserve System, should increase expertise in nonbank industries and improve training and control mechanisms to ensure that the risk of holding companies' nonbanking operations is uniformly and adequately considered in the surveillance and onsite inspection processes. The Chairman, Board of Governors of the Federal Reserve System, should reassess reporting requirements to improve the information available on the activities of holding companies' nonbank subsidiaries, including peer group data for comparative peer group analysis. This reassessment should attempt to minimize any increased reporting burden by concentrating on collecting only those data required for effective holding company supervision. The Chairman, Board of Governors of the Federal Reserve System, should establish procedures for evaluating district bank surveillance activities. Such evaluations should prompt establishment of more definitive guidelines and criteria for district bank activities and should assure that the most appropriate practices, from a programmatic and economic standpoint, are adopted. The Chairman, Board of Governors of the Federal Reserve System, should revise the inspection manual to limit onsite inspection tasks to those which are needed in each circumstance. The Chairman, Board of Governors of the Federal Reserve System, should develop the concept under which the Federal Reserve would request the Federal bank examiners from each agency to perform needed holding company tasks in the course of their bank examinations. GAO recognized that this concept will not be appropriate in all cases and that its use will depend upon timing, examiner capability and availability, and the economics of each situation. GAO anticipates that this concept will be most appropriate for holding companies that do not conduct nonbanking activities and where the holding company and the subsidiary bank management are essentially the same.

Agency Comments/Action

The Federal Reserve stated that it is reviewing its policies and procedures in each of the areas GAO noted as being in need of improvement.

GENERAL SERVICES ADMINISTRATION

Review of the General Services Administration's Electric Utility Intervention Activities (EMD-81-95, 6-12-81)

Budget Function: Energy: Energy Information, Policy, and Regulation (0276)
Legislative Authority: Property and Administrative Services Act.

Under the Property and Administrative Services Act, the General Services Administration (GSA) has the management responsibility for ensuring that the Government makes economical purchases of public utility services. To ensure that utility rates are reasonable, GSA intervenes or authorizes other Federal agencies to intervene in State regulatory hearings on retail rate increases proposed by utility companies. GAO reviewed the GSA intervention procedures and controls and evaluated the adequacy of the methods being used to identify significant rate cases, provide guidance to the GSA technical staff assigned to the cases, coordinate GSA and other Federal agency intervention activities, and report on intervention results.

Findings/Conclusions: There are four areas in which the GSA management procedures or controls for its intervention efforts could be improved. These areas are: (1) identifying significant rate cases, (2) providing program guidance, (3) delegating intervention activities, and (4) reporting results. Because GSA does not have adequate information on the cost of services provided by 20 public utility companies, it was unable to determine whether intervention was warranted in 8 of the 45 electric rate cases made during the first half of fiscal year 1981. This information could be collected from either public utility companies or Federal electric consumers. Because the issues involved in the rate cases are very complex and technical, GSA must have or be able to call upon technical specialists to protect the Government's interests. While GSA has increased its intervention staff, the staff is inexperienced. GSA has not provided the guidance needed to analyze other major rate case issues which must be addressed by the Government to present convincing testimony in State regulatory hearings. GSA has not established a procedure for ensuring that its intervention staff analyzes the information that it requires other agencies to provide. Reports of intervention actions are not adequate for providing GSA management with a proper perspective on the contribution made by the intervention staff.

Recommendations: The Administrator of GSA should direct the Commissioner of the Transportation and Public Utilities Service to ensure that planned corrective actions are implemented to (1) determine the completeness and accuracy of GSA information on Federal purchases of public utility services; (2) determine whether it would be more cost effective and appropriate to collect additional cost data on these purchases; and (3) provide guidance to the intervention staff on the most significant rate case issue.

Agency Comments/Action

GSA has submitted interim Section 236 comments. GSA concurs with all report recommendations; however, actions on most of recommendations will be taken only if GSA receives additional staffing for the program.

Appropriations

Operating expenses - General Services Administration, Transportation and Public Utilities Service
Public utilities - General Services Administration, Transportation and Public Utilities Service

GENERAL SERVICES ADMINISTRATION

Fragmented Management Hinders GSA Ability To Acquire Internal ADP Resources (AFMD-81-74, 7-28-81)

Budget Function: Automatic Data Processing (1001)
Legislative Authority: Paperwork Reduction Act. OMB Circular A-109.

Since 1977, Administrators of General Services have stated that General Services Administration (GSA) internal automatic data processing (ADP) equipment is unreliable due to age, lack of spare parts, and maintenance. They have also stated that plans are underway to competitively replace it. Furthermore, they indicated that, once the acquisition of the needed ADP equipment was complete, GSA would no longer rely on extending its sole-source contract for teleprocessing services to support internal systems. GAO reviewed GSA plans to: (1) acquire ADP resources to support internal data processing requirements; and (2) rely on sole-source, noncompetitive extensions contracts for teleprocessing systems.

Findings/Conclusions: GAO found that the internal ADP management of GSA has been unable to acquire the ADP resources to replace its old and unreliable ADP equipment and to terminate some sole-source contracts. GAO believes that this is because GSA lacks necessary ADP management expertise. Internal ADP management could develop neither a successful long-range ADP plan nor an effective request for proposals to acquire the needed ADP resources. In addition, internal ADP management did not follow Federal policy and regulations in its attempt to acquire these ADP resources. Another major problem that affects the GSA ability to acquire needed ADP resources is the constant attrition in its top management. In the past, GSA operating philosophy was to decentralize responsibility for automated information systems. In the view of GAO, centralized authority is necessary to eliminate fragmented management and oversight responsibility. These problems are some of the reasons why GSA has, over the past few years, continually relied on sole-source extension of ADP contracts to support internal systems. The GSA Commissioner of Automated Data and Telecommunications Service rescinded the delegation of procurement authority previously granted to internal GSA ADP management and has now taken over the task of acquiring, as quickly as possible, the ADP resources necessary to transfer GSA applications from the current sole-source contracts. However, the contracts' expiration dates are a factor, and some extension of these contracts may still be necessary.

Recommendations: The Administrator of General Services should reevaluate the internal ADP program and acquisition management and then restructure it so that it can effectively acquire needed ADP resources. This would include establishing an executive ADP management commitee comprising top management officials from every major organizational unit and chaired by the Deputy Administrator. This committee should have a written charter setting forth its authority and responsibilities for the consolidation and integration of both functional and technical aspects of agencywide ADP strategy, and it should work closely with the GSA Information Resources Manager.

Appropriations

Internal automatic data processing management - General Services Administration

Appropriations Committee Issues

Because of the magnitude of the internal GSA ADP budget and the inability of GSA management to properly acquire ADP resources, the Committees should question how the budgeted monies are being spent.

GENERAL SERVICES ADMINISTRATION

GSA's Cleaning Costs Are Needlessly Higher Than in the Private Sector (AFMD-81-78, 8-24-81)

Budget Function: General Government: General Property and Records Management (0804)
Legislative Authority: Property and Administrative Services Act. Service Contract Act of 1965. Reorg. Plan No. 18 of 1950. OMB Circular A-76. S. 1340 (96th Cong.). H.R. 4477 (96th Cong.). 5 U.S.C. 5343(a).

GAO conducted a review of the office building cleaning services of the General Services Administration (GSA). By examining the productivity of GSA custodians and comparing their performance to that of private sector custodial firms, GAO was able to identify areas where improvement could yield important cost savings.

Findings/Conclusions: GSA is spending considerably more than necessary to clean Federal office space. GSA uses its own in-house cleaners, contracts for cleaning, and has cleaning provided by landlords. At the four regions studied, it costs GSA over 50 percent more to clean with its in-house staff than with contractors and nearly twice as much as its landlords pay to clean leased Federal offices. Low productivity and high wages are the primary causes for the cost differentials. GSA has taken little action to reduce in-house cleaning costs. It has not implemented the provisions of an OMB circular which requires GSA to contract for cleaning when it is more economical to do so. GSA has not completed any comparative cost studies or improved the productivity of its in-house staff in preparation for the required comparative studies. GSA is only slowly converting to contract cleaning as attrition reduces its in-house custodial work force. GSA contractors are required to clean mainly during the day despite industry surveys which showed that night cleaning is 20 to 30 percent more productive. A GSA requirement that cleaning contractors provide a minimum number of staff hours on each contract to help ensure quality is not accomplishing its objective. It eliminates the incentive for contractors to improve productivity and save hours. Multiyear contracts would provide incentives for contractors to maximize efficiency and quality that the present 1-year contracts do not provide.

Recommendations: The Administrator of General Services should explore with OMB the use of a streamlined approach for making Circular A-76 cost comparisons for cleaning activities. The Administrator of General Services should complete the cost comparisons required by Circular A-76 as rapidly as possible to determine whether cleaning services should be provided by in-house staff or contract personnel and develop a plan to implement the study results. The Administrator of General Services should allow contractors the flexibility to clean when they deem it most productive. Daytime cleaning constraints should not be imposed unless the cost effectiveness can be documented. The Administrator of General Services should eliminate the minimum labor hour requirement from cleaning contracts. Thorough preaward surveys and on-site inspections that utilize random sampling techniques should be used to ensure quality. The Administrator of General Services should require that cleaning contracts with disadvantaged businesses be obtained at a cost reasonably close to that of competitively bid contracts. The Administrator of General Services should revise the set-aside determination for small businesses so that large contractors can bid on some cleaning contracts, especially those for larger buildings. The Administrator of General Services should use renewal options, at least on a pilot basis, in cleaning contracts.

Agency Comments/Action

The Section 236 response period has not yet elapsed. However, the new Administrator of GSA wrote, in his letter included in the published GAO report, of his "shocked" reaction to the GAO findings and said that he is requiring that an action plan be prepared for complying with the GAO recommendations.

Appropriations

Operation and maintenance - General Services Administration, Public Buildings Service

Appropriations Committee Issues

The highly inefficient custodial operation needs to be improved and OMB Cicular A-76 cost comparisons should be no longer delayed, but rather expedited immediately. Contracting out for cleaning should take over in-house operations wherever the comparisons indicate an efficiency surpassing the in-house workforce by 10 percent or more.

NATIONAL ARCHIVES AND RECORDS SERVICE

Program To Improve Federal Records Management Practices Should Be Funded by Direct Appropriations (LCD-80-68, 6-23-80)

Budget Function: General Government: General Property and Records Management (0804)
Legislative Authority: Economy Act. Federal Records Management Amendments of 1976. 31 U.S.C. 701(c).

Several problems were pointed out by a review of the records management activities of the National Archives and Records Service's (NARS) technical assistance program and its activities for improving Federal records management. NARS provides technical assistance to help Federal agencies improve their records management practices. This assistance is funded through reimbursements from agencies, rather than from appropriated funds. Because of the reimbursable nature of the program and the limited demand for technical assistance, NARS must aggressively market its services to agencies to get projects. In some cases, employees paid with appropriated funds were used to generate projects. NARS relies on agencies which can pay for its services, ignoring its own objective of helping agencies become self-sufficient in records management practices. NARS does not always follow its policy of requiring an agency's staff to participate in technical assistance studies in order to learn study techniques. It does not always follow up and report the results of its technical assistance studies to the Office of Management and Budget (OMB) and to Congress. The NARS services are authorized by the Economy Act, but its billing methods do not comply with the law, as that law provides that funds earned during 1 fiscal year cannot be collected and deposited to the credit of appropriations which are current during subsequent fiscal years. NARS has not established realistic goals to determine which records management areas need priority attention. Its staff is spread too thin, working on too many projects, and making little overall progress. In spite of the fact that conducting agency inspections is one of its most effective tools, NARS has not increased the time devoted to this activity. Many of the NARS scheduled training courses have had to be canceled due to the lack of participation by Federal agencies and the inadequate preparations for courses.
Findings/Conclusions: Providing direct appropriations for NARS technical assistance program would rectify many problems. Direct appropriations would allow NARS the flexibility to better direct its technical assistance program and to develop a balanced approach to its records management program. Furthermore, GAO believes that, because agencies pay for NARS studies and because of the NARS need to obtain future work to finance its reimbursable staff positions, NARS may be reluctant to report the results of its studies to OMB and Congress. No policies were found for the use of consultants by NARS. The reports resulting from several contracts were not used by NARS. NARS should make greater efforts to encourage other agencies to conduct records management research studies.
Recommendations: The Administrator of General Services should direct the Archivist of the United States to request direct appropriations for the reimbursable technical assistance positions; report the results of technical assistance studies to OMB and Congress, including both needed improvements and agency actions; direct that the policy on agency participation in studies be followed; and revise billing and accounting practices for reimbursable technical assistance work so that payments are deposited in the proper appropriation accounts in compliance with 31 U.S.C. 701(c). When appropriated funds are received for presently reimbursable staff, the Administrator of General Services should direct the Archivist of the United States to develop policies, plans, and priorities for using NARS staff for technical assistance projects or other program activities. To improve records management activities, the Administrator of General Services should direct the Archivist of the United States to develop plans and establish priorities for using NARS staff resources to better address its records management responsibilities; accelerate development of standards, guidelines, and handbooks; develop policies and procedures, before awarding any future consulting contracts, to ensure that the contracts provide services that contribute to NARS records management programs; encourage agencies to provide more resources for records management studies and, if necessary, assert the Federal Records Act authority to do so; monitor training course attendance to determine agency participation and ensure that preparations are made to have instructors and materials available for scheduled courses; and send copies of inspection reports to OMB and appropriate congressional committees.

Agency Comments/Action

On August 15, 1980, the Administrator of GSA advised GAO that GSA concurs with the findings and recommendations and is in the process of implementing the recommendations. To date GSA has not been able to obtain appropriated funding as recommended by GAO and the 1983 GSA budget does not include the appropriation request.

Appropriations

Operating expenses - General Services Administration, National Archives and Records Service
Advances and reimbursements - General Services Administration, National Archives and Records Service

Appropriations Committee Issues

NARS could eliminate many of the deficiencies in the technical assistance program if the program was funded through direct appropriations. In addition, greater visibility and accountability to Congress can be achieved by direct appropriations for staffing the NARS technical assistance program. This would enable NARS to set priorities for using its limited resources, thereby maximizing the potential impact.

NATIONAL ARCHIVES AND RECORDS SERVICE

Systematic Review for Declassification of National Security Information--Do Benefits Exceed Costs? (LCD-81-3, 10-15-80)

Budget Function: General Government: General Property and Records Management (0804)
Legislative Authority: Freedom of Information Act. Privacy Act. Executive Order 11652. Executive Order 12065. P.L. 95-452.

A review was undertaken of the systematic declassification review program provided for in Executive Order 12065. Under Executive Order 12065, the National Archives and Records Service (NARS) is required to review all classified records considered to be of permanent value as they become 20 years old to determine if they can be declassified. One exception is foreign government information, which must remain classified until it becomes 30 years old. Additionally, the National Security Council is responsible for providing overall policy direction for agencies to use in implementing the Order, and the Administrator of General Services is responsible for implementing and monitoring the classification program through its Information Security Oversight Office.

Findings/Conclusions: In its review GAO found that NARS, the Central Intelligence Agency, and the Departments of Defense, Energy, and State anticipate spending $88 million in salaries and benefits during fiscal years 1981 through 1988 to systematically review information for declassification. Further, GAO found that: (1) there is little chance that all 20-year-old classified records will be reviewed by the required December 1988 date; (2) NARS inaccurately reported the results of its declassification reviews for several years; (3) a review of only those records requested by the public and those expected to be requested would improve responsiveness to public requests and would reduce costs; and (4) the General Services Administration's Inspector General has never reviewed the NARS declassification program.

Recommendations: The Administrator of General Services should direct the Inspector General to periodically conduct comprehensive reviews of the NARS declassification program. The Administrator of General Services should direct the Archivist of the United States to transfer responsibility for all declassification reviews to the custodial divisions, after modification of the systematic review requirement. The Chairman of the National Security Council should draft, and submit to the President for approval, a revision to section 3-4 of Executive Order 12065 that would modify the requirement for the systematic review for declassification of all 20-year-old permanently valuable classified information. The Administrator of General Services should revise the section of form 7096 to show the number of (1) pages reviewed, (2) classified pages reviewed, (3) classified pages declassified, and (4) classified pages exempt from declassification.

Agency Comments/Action

The agency did not agree with the recommendations but agreed with the intent and objectives. Studies have been made, but reports have not been completed. Most attention of the Information Security Oversight Office has been directed to coordination and drafting a new Executive order to replace Executive Order 12065.

Appropriations

Operating expenses - General Services Administration, National Archives and Records Service

GENERAL SERVICES ADMINISTRATION

PUBLIC BUILDINGS SERVICE

Costs and Budgetary Impact of the General Services Administration's Purchase Contract Program (LCD-80-7, 10-17-79)

Budget Function: General Government: General Property and Records Management (0804)
Legislative Authority: Public Buildings Act of 1959 (40 U.S.C. 602). Federal Property and Administration Services Act of 1949 (40 U.S.C. 490). Public Buildings Purchase Contract Act of 1954 (P.L. 83-519). Public Buildings Amendments of 1972 (P.L. 92-313).

A report compared purchase contracting with funding by appropriations (direct Federal construction) and leasing as a means for the General Services Administration (GSA) to finance the acquisition of space for Federal departments and agencies. Specifically, the report compared financial benefits and costs, budgetary impact, and secondary impact on local tax structure, and examined options to and possible pitfalls of the General Services 1972 purchase-contract program which expired in June 1975.

Findings/Conclusions: For several years, GSA has relied on leasing to meet increased space needs because limited funds were available either through or from the General Services Buildings Fund. Since the establishment of the Fund in 1972, approximately $65 million less per year has been available for new building construction than was available under direct appropriation. Purchase-contracting also helped to fill the growing need for Federal office and agency space. Since purchase-contracting permitted GSA to borrow construction funds, it avoided the need for large single-year appropriations by Congress to fund new construction outlays and, by accelerating building construction, helped avoid some of the inflationary cost pressures on the approved projects. Through the sale of participation certificates and loans from private investors and the Federal Financing Bank, GSA was able to obtain financing for construction of 68 buildings. An analysis showed that, from the standpoint of the Fund, direct Federal construction is the most advantageous alternative for financing space acquisition. However, assuming only limited funds are available for direct Federal construction, it was suggested that purchase-contracting may be the most practicable alternative. Although purchase-contracting requires several more years than direct Federal construction before generating a budget surplus for the Fund and requires the Fund to bear the cost of local real estate taxes, it was found to have more favorable long-range budgetary impact than leasing.

Recommendations: If Congress decides that new legislation is warranted granting GSA purchase-contract or other additional financing authority, it should limit that authority to direct loans from the Treasury or the Federal Financing Bank. If Congress also decides that the Government should pay local real estate taxes on projects constructed under the new legislation, and continues to expect the Fund to provide adequate resources for construction, it should offset the adverse impact of tax payments on the budget of the Fund by making either: (1) separate appropriations to GSA for taxes; or (2) direct appropriations to the Fund to cover tax payments.

Agency Comments/Action

No action was required by the agency.

Appropriations

Construction, rental of space, and prepayment on purchase contracts - General Services Administration

Appropriations Committee Issues

The Committees should query GSA about the inability of the Federal Buildings Fund to generate funds to: (1) support a reasonable level of construction; and (2) bring about a meaningful reduction in leased space.

GENERAL SERVICES ADMINISTRATION

PUBLIC BUILDINGS SERVICE

GSA Is Overly Restrictive in Its Implementation of the National Urban Policy in Fort Smith, Arkansas (LCD-80-26, 12-6-79)

Budget Function: General Government: General Property and Records Management (0804)
Legislative Authority: Federal Property and Administrative Services Act of 1949 (40 U.S.C. 490f).

GAO was requested to review the General Services Administration (GSA) proposal to relocate five Federal agencies in Fort Smith, Arkansas, to a single location in the downtown business district. The review covered (1) an evaluation of the rationale and criteria used to make the decision, (2) the procurement procedures followed to acquire the space, (3) the cost of relocating the agencies as compared to their remaining at their present locations, and (4) an evaluation of the accessibility to the public of the proposed location.

Findings/Conclusions: Because existing regulations do not include criteria on the cost effectiveness of relocating agencies to the central part of cities, GSA decisions on relocation do not consider the cost to the Government of relocation. No existing buildings in the central business district could provide sufficient space to meet consolidated space requirements. When newly constructed space was sought, GSA found only four sites available in the central business district on which a building could be erected. Only one offer was received on the space procurement. The GSA cost analysis, conducted after the decision to relocate the agencies was made, revealed that relocation to the downtown area would cost about 10 percent more annually than if the agencies remained in their present locations. The GAO review indicated that the costs to consolidate downtown would be about 40 percent more annually. If located in the central business district, the agencies would be less accessible to the public when compared to their present locations. There is no public transportation in Fort Smith, and parking downtown is a major problem. Agency clients preferred the present suburban locations. Further, the downtown location could create a hardship for the aged and the handicapped due to the insufficient parking space and the lack of public transportation. GSA needs to improve its criteria for determining the locations of Federal agencies by requiring a cost comparison of the various location possibilities. The impact which a location has on an agency's ability to carry out its mission should be considered.

Recommendations: GSA should take steps to ensure that it obtains competition to the maximum extent practicable in acquiring office space. The Administrator of GSA should ensure that the GSA revised space management regulations include criteria on the comparative cost effectiveness of relocating Federal agencies to central business areas or other alternatives which can satisfy the agencies' missions. Further, the Admininstrator of GSA should ensure that existing relocation criteria be more closely complied with so that a relocation does not adversely affect an agency's ability to carry out its mission.

Agency Comments/Action

GSA has revised its space management regulations to include cost criteria for relocations.

Appropriations

Federal Buildings Fund - General Services Administration, Public Buildings Service

Appropriations Committee Issues

The Committees should ask GSA to explain how the urban relocation policy has affected the cost of Federal space.

GENERAL SERVICES ADMINISTRATION

PUBLIC BUILDINGS SERVICE

What Has GSA Done To Resolve Previously Reported Problems in Its Construction Program? (PLRD-81-7, 3-27-81)

Budget Function: General Government: General Property and Records Management (0804)
Legislative Authority: Architectural Barriers Act of 1968 (P.L. 90-480). F.P.R. 1-4.1005-1. P.L. 92-582. S. 208 (96th Cong.).

Several design and construction problems that the General Services Administration's (GSA) Public Buildings Service (PBS) has experienced in acquiring Federal buildings were reviewed. It is believed that these problems have a potential for recurrence. The actions taken to implement recommendations made in prior reports were also reviewed.

Findings/Conclusions: PBS has taken, or is taking, actions to incorporate improvements previously recommended. It has also taken corrective steps on its own initiative. Breakdowns in communication between PBS and design firms, tenant agencies, and construction contractors have been a serious problem. Failure to communicate effectively in the design phase of a project has shown up in the construction phase as project delays, change orders, and cost increases. A significant problem area has been construction contract design deficiency change orders. This was caused by inadequate or ineffective design reviews by PBS. The most visible construction problem has been in the area of site excavation and foundation construction. Testing and inspection deficiencies resulted in project delays, foundation problems, poor building performance, and vulnerability to contractor claims. Actions, or lack of action, by GSA design and construction management officials have caused contractor claims and construction, maintenance, and operation problems. GSA has experienced many after-occupancy problems relating to design and construction and has attributed some project delays and increases in project costs to the congressionally mandated authorization procedures and the appropriations process. Miscellaneous problem areas identified included: the major repairs and alterations program, the present-value cost analyses methods used by GSA, and the reuse of vacant or underused Government-owned facilities.

Agency Comments/Action

GSA concurred with the findings and reaffirmed its commitment for improvement.

Appropriations

Federal Buildings Fund - General Services Administration, Public Buildings Service
Real property activities - General Services Administration, Public Buildings Service

Appropriations Committee Issues

The Committees should determine whether GSA has taken corrective actions to implement open recommendations identified in the report. If no actions have been taken, the Committees should determine the GSA reasons for lack of corrective action.

GENERAL SERVICES ADMINISTRATION

PUBLIC BUILDINGS SERVICE

GSA Can Do More To Ensure Leased Federal Office Space Meets Its Firesafety Criteria (PLRD-81-8, 5-1-81)

Budget Function: General Government: General Property and Records Management (0804)
Legislative Authority: Occupational Safety and Health Act of 1970 (P.L. 91-596). Economy Act. 29 C.F.R. 1910. 29 C.F.R. 1960. Executive Order 12196. Executive Order 12223. GSA Handbook PBS P.5900.2. GSA Handbook PBS P.5920.9.

As of January 1980, the General Services Administration (GSA) was leasing about 66 million square feet of space in privately owned and operated buildings. Federal Property Management Regulations require GSA to provide workspace that equals the accident and fire prevention standards contained in the Occupational Safety and Health Act of 1970. The regulations also require that all Federal agencies be concurrently responsible with GSA for developing and maintaining a sound fire prevention program. GAO reviewed the GSA management of its firesafety program for leased space to determine if GSA: (1) was adequately administering building leases to assure that lessors were complying with lease firesafety requirements; (2) was including all GSA firesafety standards in leases; and (3) was inspecting adequately and in a timely manner the leased space to determine its adequacy for Federal employee occupancy as far as firesafety matters were concerned.

Findings/Conclusions: Buildings with leased space in the three regions reviewed contained numerous firesafety deficiencies, according to GSA criteria. Some deficiencies had existed for many years. Thus, Federal employees were working in leased space that did not meet the minimum firesafety protection required by the GSA criteria, and the Government was not receiving all the firesafety features that it should have obtained. The regions were not aware that the buildings contained firesafety deficiencies. The process for evaluating firesafety conditions in leased space contained serious flaws in applying firesafety requirements, identifying and scheduling buildings for inspection, performing firesafety surveys, and reporting the results. Firesafety inspectors did not realize that they needed to apply the requirements of local codes, Schedule B of leases, and GSA national firesafety criteria or that it was necessary to cite the specific violation or violations in their reports to establish liability for corrective action.

Recommendations: The Administrator of General Services should require the Commissioner of the Public Buildings Service to initiate action to have the lessors promptly correct all firesafety deficiencies in leased space for which they are responsible. The Administrator of General Services should require the Commissioner of the Public Buildings Service to enforce the GSA requirement to include Schedules B in leases. Further, any modification of firesafety requirements in Schedule B should be justified by the contracting officer and should be approved by the Regional Commissioner, Public Buildings Service, before being incorporated into the lease. The Administrator of General Services should require the Commissioner of the Public Buildings Service to require that the current GSA policy for deviating from firesafety requirements be followed. The Administrator of General Services should require the Commissioner of the Public Buildings Service to establish a program to instruct firesafety inspectors on their responsibilities and duties. The Administrator of General Services should have the Commissioner of the Public Buildings Service determine whether there are similar problems in the GSA firesafety program for Government-owned space and, if so, take appropriate actions. The Administrator of General Services should require the Commissioner of the Public Buildings Service to ensure that specific information on the amount and location of planned and existing leased space is properly sent from the regional acquisition branches to the accident and fire prevention branches so that the required firesafety surveys and inspections can be made. The Administrator of General Services should require the Commissioner of the Public Buildings Service to establish procedures to control the prompt correction of firesafety deficiencies. These procedures should include: (1) defining the responsibilities and duties for the personnel of the acquisition and accident and fire prevention branches; and (2) monitoring the requests for and receipt of firesafety survey reports and actions taken by the acquisition branches, corrective actions taken by the lessors, and evaluations of corrective actions taken by the accident and fire prevention branches. In addition, these procedures should be explained to the personnel of the two branches in formal training sessions. These procedures should also include the legal actions necessary to require lessors to take corrective actions. The Administrator of General Services should require the Commissioner of the Public Buildings Service to clarify and consolidate existing policies and procedures, possibly in a handbook, including how to enforce lease provisions to assure firesafety deficiencies are corrected. In addition, the handbook should cover how to conduct firesafety surveys of leased space and how to prepare the report for firesafety deficiencies. The handbook should require GSA to provide survey reports to interested parties, such as tenant agency representatives.

Agency Comments/Action

GSA formulated new firesafety criteria for leased space, and the criteria have been incorporated into contracting documents. GSA was to take action on cited deficiencies in leased space, and under an ongoing review of Government-owned space, would attempt to correct deficiencies according to their severity and consistent with availability of funds. GSA also promised action on other recommendations.

Appropriations

Operating expenses - Public Buildings Service

Appropriations Committee Issues

The Committees should be concerned with whether GSA is spending Government funds for costs that should be borne by lessors. Further, the Committees should question GSA regarding the adequacy of funds to be used in correcting deficiencies in Government-owned buildings.

GENERAL SERVICES ADMINISTRATION

PUBLIC BUILDINGS SERVICE

GSA's Management of Reimbursable Building Services Needs Improvement (PLRD-81-46, 7-8-81)

Budget Function: General Government: General Property and Records Management (0804)
Legislative Authority: P.L. 92-313.

The General Services Administration (GSA), through its Public Buildings Service, charges tenant agencies for space and related services in Federal buildings and federally leased space. GSA also charges tenant agencies for special services which they request beyond the standard level of repairs and initial space alterations, building operations and maintenance, and physical protection and building security. These special services are commonly referred to as reimbursables.

Findings/Conclusions: Although reimbursable work is the second largest source for financing the Federal Buildings Fund of GSA, it has not received the status of a major agency program. GSA has not assigned anyone overall responsibility for managing these services. Management is fragmented and responsibility for monitoring quality, promptness, and cost varies among and within GSA regions because of inadequate control by both regional and headquarters management. Compounding the effect of fragmented management is the lack of clear guidance by the Public Buildings Service. Controls are weak and reports developed to monitor such services are inadequate or not used. Delivery of reimbursable services has been inconsistent and reimbursements are inconsistent among tenants because criteria for determining which services are reimbursable are unclear. GSA maintains that reimbursement is required only for services beyond the standard level provided in commercial practice. However, GSA has not adequately defined the standard level, and GSA reimbursables continue to rise. The agency has no criteria for determining whether agencies' requests for protective services above those it normally provides are really necessary. Although GSA management has been aware of the problems it is experiencing in providing reimbursable services, it has taken little corrective action.

Recommendations: The Administrator of General Services should require the Commissioner, Public Buildings Service, to continually monitor and evaluate the program to improve management and ensure the quality of services, the reasonableness and consistency of charges, the soundness of controls, and the adequacy and uniformity of procedures. The Administrator of General Services should require the Commissioner, Public Buildings Service, to manage resources in support of the program to ensure that reimbursable requests are justified and that services are promptly delivered. The Administrator of General Services should require the Commissioner, Public Buildings Service, to publish clear criteria for determining what services are reimbursable and procedures for providing them.

Agency Comments/Action

GSA furnished an interim response on September 15, 1981, stating that the recommendations of a GSA task force and the GAO recommendations were under review. GSA would advise GAO at a later date on its planned actions.

Appropriations

General Services Administration, Public Buildings Service

Appropriations Committee Issues

The Committees should be concerned with whether GSA is requiring agencies to pay for services GSA should be providing.

INTERAGENCY REGULATORY LIAISON GROUP

Grain Fumigation: A Multifaceted Issue Needing Coordinated Attention (CED-81-152, 9-10-81)

Budget Function: Agriculture (0350)

Despite many years of using fumigants to eradicate insect pests from grain and grain products and despite the involvement of many Government agencies in various facets of this activity, fumigant problems remain and much still needs to be learned about fumigants and their effects on vegetation, pests, and humans. A number of fumigant-related problems were identified by GAO, including the Federal Government's fragmented involvement in this area. **Findings/Conclusions:** The work done by GAO disclosed that: (1) grain workers are exposed to potentially unsafe fumigant levels; (2) workers' concerns about health as a result of fumigant exposure have strained relations between some company and union officials and among other parties involved in shipping, handling, and storing grain; (3) potentially harmful fumigant residue has been found in some food products; and (4) a need exists for more knowledge about fumigants and their effects to either reduce current unwarranted anxiety levels or result in documented support for stronger, future precautionary measures. GAO further pointed out that the Federal approach to the subject is fragmented; each agency often works independently without any one agency having a good overview of all that is going on. As a result, work may be duplicated among agencies, and lines of responsibility are not always clear. GAO believes that the Interagency Regulatory Liaison Group, established to allow participating agencies to work closely together on topics that cross agency lines, is a proper forum that could bring various agencies together and provide the overseer role that is needed. **Recommendations:** The Interagency Regulatory Liaison Group should accept grain fumigation as a topic for its consideration. The Interagency Regulatory Liaison Group should assume the role of overseer of the fumigation area and publicize this role to its participating agencies and others. The Interagency Regulatory Liaison Group should address the problems discussed and any related issues.

Agency Comments/Action

Agency comments have not as yet been received.

INTERSTATE COMMERCE COMMISSION

"Weight Bumping"--Falsifying Household Moving Weights To Increase Charges--What ICC Needs To Do (CED-79-75, 5-1-79)

Budget Function: Transportation: Ground Transportation (0404)

About 1 million American households which move each year are not being protected adequately against the practice of "weight bumping" which artificially increases the cost of moving. Weight bumping is the falsifying of weights of household goods shipments to increase transportation charges.

Findings/Conclusions: The Interstate Commerce Commission (ICC) and the moving industry agree that weight bumping is a problem; they disagree on its extent. There are no ICC regulations concerning weighmasters and scale operations and only limited regulations governing weight tickets. Accordingly, ICC must rely on State and local governments to regulate weighing activities. This reliance has serious shortcomings because of insufficient and inadequate State and local controls.

Recommendations: The Chairman of ICC should: direct a comprehensive study so that ICC may better measure the extent of the problem and thus assign the appropriate level of investigative and enforcement action to deal with it; establish regulations regarding the weighing of interstate household goods shipments to prevent weight bumping; and establish unannounced periodic inspections at weigh stations with State assistance, and investigations to reduce the practice. The Secretary of Defense should direct the Military Traffic Management Command to develop procedures for identifying shipments that warrant investigation for possible weight bumping and providing the information to the proper Defense organizations for investigation.

Agency Comments/Action

The new ICC Chairman has indicated that increased enforcement efforts are likely. ICC could increase efforts to determine the scope of the problem to measure industry compliance with the Household Goods Act.

Appropriations

Salaries and expenses - Interstate Commerce Commission

Appropriations Committee Issues

The ICC chairman has stated that increased enforcement and monitoring effects of the Motor Carrier Act and the Household Goods Act are likely to increase staff. ICC is not budgeted for such increased staff.

INTERSTATE COMMERCE COMMISSION

ICC's Enforcement Program Can Be More Effective in Halting Violations and Preventing Their Recurrence (CED-80-57, 5-19-80)

Budget Function: Transportation: Ground Transportation (0401)
Legislative Authority: Interstate Commerce Act, Part 4 (49 U.S.C. 10101 et seq.). Claims Collection Act (31 U.S.C. 951 et seq.). Department of Energy Organization Act (P.L. 95-91). 4 C.F.R. 102.1. 4 C.F.R. 102.2. 49 U.S.C. 10901(a). 49 U.S.C. 10901(g). 49 U.S.C. 11702. 49 U.S.C. 11903-11914. 28 U.S.C. 543. 28 U.S.C. 519.

The Interstate Commerce Commission's (ICC) enforcement program has encountered problems in deterring violations of interstate commerce legislation through use of its most common enforcement tools; civil penalty settlements and court actions.

Findings/Conclusions: ICC uses civil penalties more often that any other enforcement tool, yet they cannot be used for some major violations, are not obtained in a timely manner, and result in small settlements. ICC could improve the timeliness of civil penalty settlements by making sure that its attorneys follow Federal claim collections standards and by establishing and implementing policies for terminating negotiations. ICC lacks the authority to file civil court actions to collect penalties, and some ICC attorneys are reluctant to press for higher penalties knowing that if the violator resists, the case must be referred to the U.S. attorney for collection. Referrals result in only slightly larger average penalties, and ICC attorneys believe that referral substantially delays completion of the case. The use of court actions, essential to stimulate compliance where civil penalties may not provide a strong enough deterrent, is limited because of ICC problems with U.S. attorneys' handling of criminal court actions and lack of an ICC followup investigation program. Lack of a program for timely reinvestigations following successful court actions may jeopardize the deterrent value of such actions.

Recommendations: The Chairman, ICC, should uniformly follow Federal claim collection standards, establish and adhere to specific criteria for terminating settlement negotiations and initiating court collections in a timely manner, and document and use as many identified violations as are feasible to support civil penalty claims. Further, the Chairman and the Attorney General, Department of Justice, should reach an agreement authorizing ICC attorneys to handle civil penalty collections when their out-of-court negotiations are exhausted. The Chairman and the Attorney General should enter into an agreement which would ensure more timely and effective judicial handling of criminal actions. The agreement should designate, where possible, a senior ICC attorney in each region with authority to prosecute ICC criminal court actions whenever U.S. attorneys' workloads or other factors prevent timely handling; and develop a procedure for bringing unresolved problems between U.S. attorneys' offices and ICC field offices promptly to the attention of the Attorney General and the Chairman for disposition. The Chairman should establish a followup investigation system in each region to timely monitor compliance of those who have received civil injunctions, contempt actions, or criminal fines whenever it appears that violations may continue or be resumed. Congress should amend interstate commerce legislation to (1) make civil penalties applicable to all types of motor carrier violations as well as to shippers and others that aid and abet these violations, and (2) establish a minimum civil penalty for motor carrier violations and increase the maximum penalty.

Agency Comments/Action

ICC generally agreed with the report findings and recommendations. However, with regard to handling court actions for collection of civil penalties, ICC prefers to seek statutory authority for civil litigation in lieu of an agreement with the Department of Justice delegating such authority. GAO believes that the recommended agreement is appropriate because it could be developed rapidly and could eliminate the need for statutory changes. The Department of Justice agreed that the present statutory maximum civil penalty should be raised and a minimum established. Justice does not believe it is necessary to authorize ICC attorneys to handle civil penalty court collection actions or to facilitate conduct of criminal litigation by designating selected ICC attorneys as standing special assistant U.S. attorneys. Justice does not believe there is a problem with delays or declinations of ICC cases by U.S. attorney's offices. With regard to this latter point, the statistics presented in Justice's own comments indicate a problem exists. The data show that over 50 percent of ICC cases currently on hand at Justice have been there for a year or more. Justice believes that authorizing ICC attorneys to handle ICC civil and criminal cases would be unsound and would result in a diminution of the Department's ability to perform its basic and traditional function of coordinating Government litigation. Justice also notes that authority for litigating civil and criminal cases as recomended by GAO cannot be delegated under existing statutes. GAO disagrees. For civil penalty collection cases, Justice could require that ICC attorneys (1) seek the advice of U.S. attorneys whenever a civil penalty collection action involves issues of construction or constitutionality of Federal statutes, or of Government-wide significance; (2) provide U.S. attorneys with copies of pleadings, motions, and other key legal documents; and (3) take any other coordinating actions deemed necessary by the Department. Justice had already employed requirements similar to these as part of a memorandum of understanding between it and the Veterans Administration. For criminal litigation, GAO anticipates that Justice could fulfill its coordination responsibilities by requiring close consultation between the U.S. attorney and the ICC special assistant at the time a decision is reached to prosecute a case. The Department could also require the special assistant to take other coordinative actions during the course of litigation, such as those mentioned above for civil cases. Recent statements from the new Chairman indicate that ICC will be increasing its enforcement efforts. A decision about the ICC enforcement of civil penalties is still pending as of October 1, 1981.

Appropriations

Salaries and expenses - Interstate Commerce Commission

Appropriations Committee issues

To make ICC enforcement more effective, Congress should amend interstate commerce legislation to (1) make civil penalties applicable to all types of motor carrier violations as well as to shippers and others that aid and abet these violations and (2) establish a minimum civil penalty for motor carrier violations and increase the maximum penalty. The Chairman, ICC, and the Attorney General, Department of Justice, need to take various administrative actions to strengthen the ICC enforcement program.

INTERSTATE COMMERCE COMMISSION

ICC Needs To Eliminate Improper Leasing Practices by Certificated Motor Carriers (CED-81-24, 12-31-80)

Budget Function: Transportation: Ground Transportation (0401)
Legislative Authority: Motor Carrier Act of 1980.

GAO was requested to determine: (1) the extent of leasing in the trucking industry; (2) the differences, if any, in services rendered to owner-operators by motor carriers certified by the Interstate Commerce Commission (ICC) and those rendered by agricultural brokers; and (3) the reasonableness of the fees charged for those services. GAO analyzed financial data collected by ICC from certificated carriers to determine whether there were significant profitability differences that could be traced to the use of owner-operators. GAO also gathered data from truck brokers and certificated carriers to determine whether there were significant differences in the services provided to owner-operators and the costs of providing those services.

Findings/Conclusions: GAO found that the data collected by ICC were not detailed enough to separate certificated carriers' leasing operations from their other activities, and neither truck brokers nor certificated carriers could provide the cost information needed. GAO confirmed that owner-operators received a higher percentage of a shipment's total gross revenue from truck brokers than they received from certificated carriers. Certificated carriers claimed they kept a greater percentage of the revenue because they provided the owner-operator with more services and incurred more costs due to regulation. Without reliable cost data, GAO could not determine whether these additional services and costs justified all of the difference between the fees charged by certificated carriers and truck brokers.

Recommendations: The Chairman of ICC should monitor leasing practices by collecting and analyzing the industry data necessary to determine whether improper leasing practices are continuing under the Motor Carrier Act of 1980.

Agency Comments/Action

ICC concurred in the report's recommendation that it continue to monitor leasing practices. Toward this end, ICC: (1) made major changes in its leasing regulations designed to deal with the problems found in the 1977 and 1978 ICC leasing studies; (2) initiated a new study on the status of owner-operator problems with leasing practices; (3) will conduct a series of meetings around the country to serve as owner-operator training sessions on all aspects of ICC trucking regulation; and (4) will consider the issue of written contracts for interstate shipments of agricultural and other exempt commodities.

Appropriations

Salaries and expenses - Interstate Commerce Commission

LEGAL SERVICES CORPORATION

Quality Civil Legal Services for the Poor and Near Poor Are Possible Through Improved Productivity (FGMSD-79-46, 10-19-79)

Budget Function: Financial Management and Information Systems (1100)
Legislative Authority: Economic Opportunity Act of 1964 (P.L. 88-452).

The cost to the Federal Government of providing quality civil legal services to the poor was compared to the cost of comparable services provided by private companies. The Legal Services Corporation (LSC), established in 1974 as a non-profit corporation, is the chief Federal source of legal aid for the poor and near poor.

Findings/Conclusions: It was found that the majority of private prepaid legal plans are employee funded and that their services are so different from those of federally funded programs that unit costs were generally not comparable; however, certain observations were made. Public sector attorney costs averaged $17 hourly while private sector charges averaged $40 hourly, including overhead. For routine civil matters, the efficiency level was about the same in both sectors. As the result of increased automation, significant potential cost and delivery improvements were apparent in both sectors, particularly where standard, routine legal services were concerned. It was suggested that the LSC could develop and disseminate legal automation techniques through a research and demonstration program. Besides increasing the cost and delivery potential of LSC grantees, such a program would make legal services more affordable for middle-income citizens who are currently unable to afford private legal services. The study revealed that LSC had no management information systems for obtaining the data needed to evaluate the cost effectiveness of its programs. LSC had begun efforts to develop local and national management information at the time of the study, and LSC planned to report on its progress by early 1980.

Recommendations: The president of LSC should improve the productivity of civil legal aid by developing and instituting a research and demonstration program aimed toward systemizing and automating the operations of Corporation grantees.

Agency Comments/Action

The Quality Improvement Project of LSC for systemizing and automating the operations of Corporation grantees has been unsuccessful. LSC is planning to apply these approaches nationwide provided it receives funding.

Appropriations

Departments of State, Justice , and Commerce, the Judiciary and related agencies

Appropriations Committee Issues

When evaluating the LSC budget request, the Committees should assure themselves that the cost estimates are realistic.

LIBRARY OF CONGRESS

Library of Congress' Revolving Trust Funds
(FGMSD-80-76, 9-24-80)

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (1101)
Legislative Authority: 2 U.S.C. 160.

GAO reviewed the Library of Congress' use of its gift authority to establish revolving funds.
Findings/Conclusions: The Library has used its gift authority to establish at least 24 revolving funds, none of which has been specifically authorized by Congress. These revolving funds were not properly accounted for by the Library, nor were the activities financed by the funds fully disclosed to Congress. In establishing the funds, Library officials relied on the Library's authority to accept and use gifts as the donor intended. Together these funds generate approximately $3.7 million annually in receipts from various activities. Among other things, the activities include a photoduplication service, a recording laboratory, and various publications. The Library's disclosure of these activities in the Federal Budget Appendix is inadequate, and its accounting, budgeting, and reporting of them do not meet prescribed procedures. These factors serve to limit congressional knowledge of the Library's revolving funds.

Recommendations: The Librarian should (1) request specific statutory authorization for each revolving fund activity currently operated by the Library which generates revenues exceeding the scope of the donor's gift, and (2) implement all established accounting procedures and regulations governing revolving funds.

Appropriations

Gift and trust fund accounts - Library of Congress

Appropriations Committee Issues

The Committees should make sure the Library of Congress submits appropriate financial statements for any of its activities that are funded on a revolving basis.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

Need for NASA To Provide Congress More Complete Cost Information on Its Projects (PSAD-81-7, 11-26-80)

Budget Function: Congressional Information Services (1008)

GAO made a study to determine if there were weaknesses in the cost estimating process of the National Aeronautics and Space Administration (NASA) which, if corrected, would result in more accurate and reliable estimates to provide Congress with more complete cost information in its annual budget justification documents. NASA had underestimated the costs for some of its major projects. As a result NASA had to request supplemental appropriations to continue the development of the space shuttle program and is anticipating a cost overrun on another project.

Findings/Conclusions: For the three projects included in the study, GAO found no major problems regarding those costs which NASA included in its project estimates. However, NASA did not include certain major categories of costs in its estimates. Also, the justification that NASA provides Congress in support of its projects still does not identify the total NASA resources which will be required for the projects. Civil service salaries of personnel directly assigned to the projects were not included in the cost estimates for the projects. The budget justifications did not provide or compare a project's planning or development estimate with the current cost estimate. The budget justifications showed only the funding requirements for the budget year and the current and immediately prior year with no data showing funds used in other prior years or estimates of funding requirements through the completion of a project.

Recommendations: The various congressional committees with responsibility for NASA programs should require NASA to include, in its budget justification documents, an expanded format to show the total funds used on a project as well as projected funding requirements through completion of a project. The various congressional committees with responsibility for NASA programs should require NASA to include, in its budget justification documents for those projects for which no project status report is prepared, a project cost history that includes all project related costs and a comparison of each project's planning or development estimate with the current estimate and an explanation of the differences between the two estimates. The various congressional committees with responsibility for NASA programs should require NASA to include in its cost estimates the cost associated with the direct civil service personnel requirements.

Agency Comments/Action

On several occasions since 1975, GAO has recommended that NASA include civil service costs in presenting estimated total direct project costs. NASA maintains that these costs are relatively fixed and are not directly affected by excluding or including any one project and that inclusion of these costs would distort the effect of the project on the budget. NASA provides project cost information to Congress in the form of project status reports similar to the Department of Defense Selected Acquisition Reports. The criteria used in preparing these reports have been agreed to by the requesting congressional committee. NASA also regularly provides cost estimates for the GAO-published report on major systems acquisition. In addition, the agency has always responded to congressional requests for information and will continue to respond to these requests promptly. GAO should not make recommendations on the budget justification format without considering the total process. The format was formulated with congressional input and was determined to be appropriate and satisfactory by all interested parties. NASA will remain willing to alter its present justification format if requested to do so by congressional committees.

Appropriations

Research and development - National Aeronautics and Space Administration

Construction of facilities - National Aeronautics and Space Administration

Appropriations Committee Issues

The Committees should require NASA to adopt the recommendations in order that the Committees may have total visibility regarding each of the NASA programs in addition to their overall requirements.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

NASA's Standard Parts Program--Are the Objectives Being Accomplished? (PSAD-81-18, 1-8-81)

Budget Function: General Science, Space, and Technology: Supporting Space Activities (0255)

A review of the National Aeronautics and Space Administration's (NASA) progress in implementing the Standard Parts Program and its efforts to consolidate procurements of electronic parts is presented. Interviews and examinations of records and information from questionnaires were examined as a basis for the review.

Findings/Conclusions: While there has been notable progress recently in planning for and implementing the program, improvements are needed in (1) monitoring and evaluating the program, (2) justifying the use of nonstandard parts, and (3) developing and implementing policies and procedures to help assure that maximum benefits are achieved from consolidated procurements of electronic parts.

Recommendations: The Administrator of NASA should amend the contract with the Jet Propulsion Laboratory to formally include it in the Standard Parts Program. The Administrator of NASA should investigate, on a test basis, a NASA-directed consolidated procurement and stocking program for projects or developments where program or projectwide consolidated procurements are not feasible. The Administrator of NASA should issue policy and implementing guidelines for program or projectwide consolidated procurement of electronic parts and establish the needed mechanism to monitor and evaluate the action of NASA's managers in achieving consolidated procurements. The Administrator of NASA should have the annual effectiveness evaluations of the Standard Parts Program performed addressing the (1) compliance of the field centers with requirements to adequately justify the use of nonstandard parts; (2) development of a system for collecting standard and nonstandard parts usage data; (3) the degree of standardization being achieved on projects; and (4) the adequacy of funds devoted to the program.

Agency Comments/Action

NASA is planning to review the policy with respect to the use of standard parts. This will be based on an assessment of the use of standard parts and nonstandard parts in representative flight programs currently active. This will also determine the degree of standardization being achieved on the projects. The adequacy of funds issue will also be addressed as one of the elements of the review. NASA does not believe that consolidated procurement beyond that which is economically justified on a particular program is sensible. Stockpiling of parts for yet undefined programs from nonproject funds will not be cost effective, particularly with one-of-a-kind research programs that tend to have differing requirements. JPL is proceeding with conditional acceptance of NASA standard parts. Particularly with electronic parts, it has become difficult to obtain space-qualified standard parts as industry has turned away from providing special services in an acceptable timeframe and at acceptable costs, particularly for small quantities.

Appropriations

Research and development - National Aeronautics and Space Administration

Construction of facilities - National Aeronautics and Space Administration

Research and program management - National Aeronautics and Space Administration

Appropriations Committee Issues

The Committees should determine how committed NASA is to its standardization policy and progress being made to implement its policy.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

DOD Participation in the Space Transportation System: Status and Issues (MASAD-81-6, 2-28-81)

Budget Function: National Defense: Weapons Systems (0057)
Legislative Authority: Presidential Directive 37.

The operational availability of the Space Transportation System (STS) has been delayed 3.5 years. Delays have resulted from identification of new requirements, funding constraints, and development difficulties with the system. To date there has been no known operational degradation in Department of Defense (DOD) space capabilities. However, the cost of DOD participation in the program has grown from about $1.2 billion to about $2.8 billion between fiscal years 1978 and 1982. Continuing uncertainties may further delay DOD use of the full capabilities offered by the system, increase the costs, or degrade future DOD operational capabilities in space. Problems incurred by the National Aeronautics and Space Administration (NASA) in meeting performance goals or milestones will effect DOD.

Findings/Conclusions: GAO is not sure that it has the most current and complete cost data on the program. The operational date of launch and landing facilities has been delayed 1.5 years. For classified missions, DOD needs secure communication lines. Full use of the Space Shuttle's capabilities is dependent on the availability of the NASA Tracking and Data Relay Satellite System which may not be available until April 1983. If this system is not available by that date, then alternate secure command, control, and communications routes must be developed to support the first classified launch. The potential effects on operational dates and costs are not yet known. The inertial upper stage development program has experienced difficulties in achieving its required capabilities. The main contractor's underestimating of the technical complexity of the program and inadequate management attention by the contractor and the Air Force were major factors resulting in the delays and cost growths. Areas of major uncertainty exist. Motor development efforts still are experiencing difficulties, and software will not be completely checked out until early 1982. There is a possibility that the airborne support equipment may have to be redesigned. Continued use of expendable launch vehicles (ELV') and/or more orbiters may be required. It is essential that Congress have a comprehensive understanding of the options available for meeting launch requirements, particularly critical DOD requirements.

Recommendations: The Secretary of Defense should provide Congress information on the total probable DOD funding requirements to achieve an operational STS capability, including STS-related costs funded by individual satellite and other programs. The Secretary of Defense and the NASA Administrator should provide Congress with comprehensive information on the options being considered for maintaining an assured launch capability for defense and civil missions and the key assumptions, costs, and risks associated with each option. In addition to an analysis of the advantages and disadvantages of continuing use of ELV's and/or increasing the number of orbiters, information should also be provided on probable effects of canceling or delaying some noncritical flights until operational experience with STS is obtained.

Agency Comments/Action

NASA stated that assured launch capability is a concern shared by NASA and DOD and that they are continuing to assess launch vehicle requirements to insure that launch requirements can be met. NASA stated that Congress has been informed of these issues through discussions on the potential need for additional orbiters in the national fleet. In the fiscal year 1982 NASA budget, funds were requested to procure long lead items required to maintain the capability to build a fifth orbiter.

Appropriations

Research and development - National Aeronautics and Space Administration
Construction of facilities - National Aeronautics and Space Administration
Research and program management - National Aeronautics and Space Administration

Appropriations Committee Issues

NASA and DOD have not presented in a comprehensive manner how an assured launch capability will be maintained.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

Implementing a Data Handling Policy for Space Science Flight Investigations (MASAD-81-34, 5-29-81)

Budget Function: General Science, Space, and Technology: Space Science, Applications, and Technology (0254)
Legislative Authority: NASA Management Instruction 8030.3A.

As a follow-up to an earlier report, GAO has completed a survey of the National Aeronautics and Space Administration's (NASA) handling of scientific data. The purpose of the survey was to evaluate the implementation and effectiveness of the new policy on handling data obtained from space science projects. NASA management instructions and handbooks related to the acquisition and management of space science data were reviewed, and the implementation of the new policy was tested on four projects.

Findings/Conclusions: Because none of the projects being managed under the new policy have been launched, GAO was not able to determine whether the policy is effective in enhancing the timely submission of data to the National Space Science Data Center. The data handling policy is not being implemented in a consistent manner. Under the new policy, each program scientist is responsible for insuring that the letter notifying investigators that they have been selected to participate in a space science investigation stipulates that he or she will contribute to the writing of a Project Data Management Plan before receipt of flight data. Only one of the projects in the GAO survey used notification letters containing the required language. It is the GAO opinion that specifying in the letter of notification the data handling obligations of all parties participating in a space science investigation is an essential first step in assuring effectiveness of the NASA May 1978 data handling policy.

Recommendations: The Administrator of NASA should instruct all the Office of Space Science program scientists that they must strictly adhere to the principles and responsibilities that are set forth in NASA Management Instruction (NMI) 8030.3A to assure more effective handling of data acquired from the space science projects.

Agency Comments/Action

NASA agreed that the GAO report was technically correct, although many of the offending selection letters predate the NMI. In spite of this shortcoming, NASA does support, and is implementing, the requirements for data dissemination as authorized in the NMI. Care will be taken to assure that future notification letters contain the specified language.

Appropriations

Research and development - National Aeronautics and Space Administration
Construction of facilities - National Aeronautics and Space Administration
Research and program management - National Aeronautics and Space Administration

NATIONAL SCIENCE FOUNDATION

National Research Centers Supported by NSF (PAD-81-79, 6-25-81)

Budget Function: General Science, Space, and Technology: General Science and Basic Research (0251)
Legislative Authority: NSF Circular 38. NSF Circular 117.

GAO summarized its observations and proposals made during a review of the National Science Foundation's (NSF) oversight of the six national research centers under its sponsorship. GAO also summarized the actions NSF plans in response to the review.

Findings/Conclusions: NSF should improve its policies and guidelines for administering and overseeing the research centers. Currently, the NSF Office of Audit and Oversight does not perform periodic reviews of the centers' organization and management, and it does not adequately monitor NSF internal oversight. In addition, NSF has not assigned responsibility for analyzing contractors' financial reports to identify variations between their budgets and actual expenditures. NSF agreed to implement a GAO proposal to provide Congress with better information for decisionmaking concerning the scope and size of one of the centers and the funds used as facilities support. Savings could be gained from consolidating various research support groups. While NSF has not analyzed this potential, it plans to determine the most cost effective options for consolidating these groups and to make the changes needed to improve instrumentation support and reduce costs. At one observatory, the telescopes are old and costly to operate, and the staffing level for operating and maintaining the facility is too high for current and projected requirements. NSF has agreed to implement GAO proposals for improving the cost effectiveness of this observatory. Further, GAO found that only one of the six national centers collects fees from users of its facilities. To correct this discrepancy, GAO proposed that NSF evaluate the appropriateness of user charges for the other centers, and NSF agreed to develop criteria for doing so.

Agency Comments/Action

NSF has made a commitment to take several actions to improve the effectiveness of its oversight of the research centers which encompass a range of issues. These issues include management oversight, contractor financial accountability, budget reporting to Congress, management structures and processes, the need to consolidate astronomy support functions, staffing levels, and user fees.

Appropriations

Agency-wide - National Science Foundation

Appropriations Committee Issues

The NSF budget to Congress should include a report of the level of reimbursable funding provided for the operation of the research centers so that Congress is aware of the full scope of operations at the centers.

NATIONAL SCIENCE FOUNDATION

OFFICE OF AUDIT AND OVERSIGHT
OFFICE OF THE GENERAL COUNSEL

National Science Foundation Conflict of Interest Problems With Grants to Short Term Employees (PAD-81-16, 1-15-81)

Budget Function: General Science, Space, and Technology: General Science and Basic Research (0251)
Legislative Authority: National Science Foundation Act of 1950. 45 C.F.R. 600. Executive Order 11222. NSF Circular 54. NSF Circular 139. 18 U.S.C. 205. 18 U.S.C. 207. 18 U.S.C. 208. 42 U.S.C. 1862.

GAO reviewed the National Science Foundation's (NSF) policies and procedures for precluding conflicts of interest in its grant award process when the Foundation's short term employees are involved. The Foundation augments its permanent professional staff with specialists who serve in noncareer positions for 1 to 2 years. Recruited from colleges, universities, industry, and Government, these specialists are usually appointed as program officers with firstline authority for grant proposal evaluation. They are usually researchers who have been given or could receive Foundation grants.

Findings/Conclusions: GAO identified a significant number of problem cases involving these short term rotational employees. The Foundation needs to strengthen its policies and procedures to preclude conflicts of interest. Federal conflict of interest laws prohibit Government employees from acting for the Government in matters in which they have a financial interest. An ad hoc committee, established by the Foundation to resolve a series of conflict of interest questions, recommended that the Foundation's standards be revised to provide for the resolution of potential conflicts of interest involving prospective employees. However, Foundation officials have made decisions on their grant proposals that create an appearance of impropriety under the applicable Federal guidelines and regulations. Questionable activities include: instances of officials awarding new grants, renewals, extensions, and supplemental funds to short term employees in the same unit or to researchers who were planning to join that unit; overriding negative peer reviews; and such improprieties as peer reviewing proposals in one researcher's name but awarding the grant to someone else and submitting proposals while still employed at the Foundation. GAO found instances of concurrent grant processing and employment negotiation, questionable grant actions during the employment period, questionable post-employment grant actions, and instances of the use of waivers of the post-employment restriction on submitting new proposals in a questionable manner.

Recommendations: The Director of NSF should take appropriate remedial or disciplinary action when people fail to report conflict of interest situations or otherwise violate prescribed standards of conduct. The Director of NSF should require that the Office of Audit and Oversight formally refer to the NSF General Counsel for prompt resolution all conflict of interest matters that it finds while monitoring the grant activity associated with scientists who are being considered for, are serving in, or have recently completed short term NSF appointments.

Agency Comments/Action

In response to the GAO report, NSF implemented an improved conflicts program which is described in a March 13, 1981 letter from NSF to the House and Senate Appropriation Committees and NSF oversight committees. The director of the NSF Office of Audit and Oversight has begun monitoring and referring to the NSF General Counsel for prompt resolution of all conflict of interest matters found while monitoring this grant activity. Some other procedural and control changes made by NSF should help reduce conflicts or the appearance of conflicts of interest involving rotators. GAO will review the effectiveness of the new program when sufficient time has elapsed to demonstrate its impact.

Appropriations

General and special funds - National Science Foundation

Appropriations Committee Issues

The new NSF program includes a provision which allows recent NSF employees to receive compensation under a new-project award. Prior to the new program, these employees had been barred from receiving compensation on new-project awards. GAO has not determined what effect, if any, this new provision would have on the ability of rotators to obtain compensation on new-project awards upon completion of their employment with NSF.

NATIONAL TRANSPORTATION SAFETY BOARD

Transportation Safety Board Could Improve Its Planning Process (CED-80-101, 5-28-80)

Budget Function: Transportation: Other Transportation (0407)
Legislative Authority: Independent Safety Board Act of 1974 (49 U.S.C. 1901).

The National Transportation Safety Board's planning process could be more efficient and comprehensive. The Board is an independent Government agency designated to promote transportation safety by investigating accidents and recommending safety improvements.

Findings/Conclusions: Considering the Board's many functions and components and its limited staff and resources, planning should be a key function. A comprehensive planning process involves several steps: defining the organization's mission; setting clear, specific goals and objectives; setting priorities for achieving goals and objectives; implementing the plan; and providing feedback. The Board needs to establish a more effective comprehensive planning process.

Recommendations: The Chairman of the National Transportation Safety Board should: (1) separate strategic planning from the budget process by requiring a specific long-range plan; (2) assure that the long-range plan includes a clear definition of the Board's mission, quantifiable goals and objectives, and priorities; (3) strengthen the Board's budget process by requiring that the budget show the total resources used to carry out programs and functions, the relationship between programs and functions, and short-term objectives and the long-range plan; and (4) assure that a formal program evaluation plan is developed for determining whether Board programs and activities are achieving established goals and objectives, meeting performance expectations, or producing other significant effects.

Agency Comments/Action

The agency does not agree that long range planning should be separate from the budget process. Also, the Board disagrees that the primary agency mission of accident investigation and reporting of probable cause needs to be more clearly defined. The Board plans to use SES and merit pay system evaluations to assess whether accomplishments are achieving organizational goals and objectives. The Board is in the process of providing budget information on allocation of resources by mode, function, activity, and program.

Appropriations

Salaries and expenses - National Transportation Safety Board

Appropriations Committee Issues

The Committees should continue to monitor the Board's efforts to establish and achieve goals and objectives. Comprehensive planning and evaluation activities provide the Committees a basis for judging the economy and efficiency of agency performance.

NUCLEAR REGULATORY COMMISSION

Need for Better Policy and Control Over Public Information Requests (GGD-81-70, 7-8-81)

Budget Function: General Government: Other General Government (0806)
Legislative Authority: Reports Act. Paperwork Reduction Act of 1980 (P.L. 96-511). NRC Manual Bull. 0211-9.

In July 1980, the Nuclear Regulatory Commission (NRC) requested that its generic clearance be extended to July 1983. Because of a dramatic increase in the estimated reporting burden, GAO reviewed the NRC controls over information requests made under its generic clearance; other information requests made by NRC program offices were analyzed. The NRC policy related to the use of and control over information requests subject to the Federal Reports Act was reviewed along with the procedures and practices followed by the NRC clearance and program offices in processing, issuing, and controlling information requests.

Findings/Conclusions: NRC did not exercise adequate control over clearance requests under the generic clearance to ensure that the information requested neither duplicated information already available within the Federal Government nor imposed an undue burden on respondents. A definitive agreement on the use and control of the generic clearance, completed in November 1980, provides NRC with the flexibility needed to meet its mandate of protecting the public health and safety and at the same time to comply with the Federal Reports Act and the Paperwork Reduction Act of 1980. Under the agreement, NRC was to develop internal policy to explain the conditions for use and control of the generic clearance. Similar controls have not been established over other information requests from 10 or more respondents. Although the procedures agreed to under the generic clearance should improve control over that special clearance, a more definitive policy and improved control of the clearance process are needed to ensure that: (1) the clearance office receives all information requests issued by NRC offices, a procedure necessary to determine whether the information being requested is already available from other Federal agencies; (2) the information is needed; and (3) the reporting burden on respondents has been minimized.

Recommendations: The Commissioners should establish or require to be established: (1) a clearance office which is given an active role and established at an appropriate level within NRC to ensure compliance with the Paperwork Reduction Act of 1980; and (2) a definitive NRC policy which requires improved control by its clearance office to ensure that all requests for information from or the imposition of recordkeeping requirements on ten or more respondents by NRC offices are processed through the NRC clearance office.

Agency Comments/Action

NRC had not formally commented on this report as of October 1, 1981. The Section 236 response was due on September 9, 1981.

Appropriations

Information collection requests approvals - Nuclear Regulatory Commission, Office of Administration

OFFICE OF MANAGEMENT AND BUDGET

Economic and Operational Benefits in Local Telephone Services Can Be Achieved Through Government-Wide Coordination

(LCD-80-9, 11-14-79)

Budget Function: General Science, Space, and Technology: Telecommunications and Radio Frequency Spectrum Use (0258)

Legislative Authority: Federal Property and Administrative Services Act of 1949 (40 U.S.C. 481). F.P.M.R. Subch. F, 101-37.

Twelve Federal departments and agencies spend at least $219 million annually for local telephone services. Significant savings and improved operations could be achieved by consolidating and modernizing these services. A few consolidations and modernizations have been made, but not on a coordinated Government-wide basis.

Findings/Conclusions: Several studies have been made of the feasibility of consolidating Government local telephone services in specific metropolitan areas. They have demonstrated potential economic and operational benefits. However, some Government agencies have been independently planning modernizations without considering the needs of other Federal organizations in the vicinity. The Government needs to establish policies, guidelines, and procedures for consolidating on a coordinated Government-wide basis. The General Services Administration has responsibility for providing communications services for the agencies, but often delegates this authority to the agencies. Lack of coordination and cooperation between the agencies and the General Services Administration has led to inaction.

Recommendations: The Director of the Office of Management and Budget should solicit from the Department of Commerce's National Telecommunications and Information Administration policies for coordinating, establishing, operating, procuring, and managing Government-wide consolidation and modernization of local telephone services. He should develop a policy for a local telephone service program that (1) requires consolidation and modernization on a coordinated Government-wide basis where economically and operationally beneficial, (2) assigns organizational responsibilities, (3) directs the development of implementing guidelines, procedures, and/or standards, and (4) defines a system for reporting on progress.

Agency Comments/Action

OMB generally agreed with the report and said that it plans to develop policies, as appropriate, to improve the management of Government-used local telephone services.

Appropriations

All Federal agencies

Appropriations Committee Issues

The use of telecommunications technology in maximizing the economic and operational benefits to the Government will continue to not be fully achieved unless some definitive Government-wide policies or guidelines are developed.

OFFICE OF MANAGEMENT AND BUDGET

Problems With the Dissemination of Information on Federal Assistance Programs (GGD-80-32, 2-8-80)

Budget Function: General Government: Executive Direction and Management (0802)
Legislative Authority: Federal Program Information Act (P.L. 95-220). P.L. 91-230.

In an effort to meet the complaints by Federal aid recipients about the scarcity of information available on Federal programs, the Office of Management and Budget's (OMB) Federal Assistance Information Data Base and the Catalog of Federal Domestic Assistance (Catalog) were reviewed. The data base was created to be a complete listing of Federal domestic assistance programs and to serve as the primary source of program information. From this data base, information can be obtained by the general public through the Federal Assistance Program Retrieval System and the Catalog. Certain shortcomings were found in the data base. Specifically, it was found that many programs are not included in the data base and information in the Catalog was not as easy to access as it could be.

Findings/Conclusions: As a result of the incompleteness of the data base, prospective Federal aid recipients are not being provided with information on all domestic assistance programs as required by Federal law. The data base's incompleteness resulted because: (1) the information used to create the data base was incomplete to start with and little has been done to complete it; (2) programs are being excluded from the data base when they should not be; and (3) all new programs are not being added as soon as they should be. Even with a complete inventory of Federal domestic assistance programs, the usefulness of the inventory to potential Federal aid recipients depends on the ability of the potential recipients to find the program which meets their needs. The present data base indexes are not set up to make a search for assistance as easy as possible, nor are they detailed enough to cover all of the activities within a program. To better serve potential aid recipients, the Catalog's subject, functional, and proper name indexes should be folded into one alphabetical keyword index. Such an index should focus on the purposes of the assistance and guide readers to the appropriate assistance through the use of terms familiar to the readers. In addition, specialized catalogs which have not been approved by OMB and which do not use the OMB information data base as the source of information have undermined the Catalog as the single authoritative compilation of Federal domestic assistance, and have increased the chances of publishing conflicting program information.

Recommendations: To further the purpose of dissemination of information on Federal Assistance Programs the Director of OMB should: (1) revise OMB Circular A-89 and update the Catalog instructions to reflect the new reporting requirements of the Federal Program Information Act, and reemphasize the need for the timely reporting of new programs; (2) increase the oversight to insure that Federal agencies report all Federal domestic assistance programs; (3) reinstate those ongoing domestic assistance programs previously deleted; (4) establish, with the assistance of an indexing specialist, an alphabetical keyword index for the data base in lieu of the subject, functional, and popular name indexes; and (5) reemphasize to Federal agencies that all specialized catalogs must be approved by OMB before the catalogs can be published.

Agency Comments/Action

OMB said it will improve the existing data base on availability of Federal assistance by keeping it more current and complete, and said it will rely less on Federal agencies to provide information. OMB also said it is taking steps to improve the data base on funds awarded in assistance awards by accessing directly the individual Federal agency data bases.

Appropriations

All civil and defense agencies with domestic assistance programs

Appropriations Committee Issues

Congressional oversight of Federal spending depends on complete and accurate information on how Federal agencies use their appropriation authority. Although OMB has taken steps to improve this information, the Committees should continue to monitor the effectiveness of OMB efforts.

OFFICE OF MANAGEMENT AND BUDGET

Reduced Communications Costs Through Centralized Management of Multiplex Systems (LCD-80-53, 5-14-80)

Budget Function: General Science, Space, and Technology: Telecommunications and Radio Frequency Spectrum Use (0258)

The Government's use of multiplex communications technology and the potential for increased exploitation of the technology to reduce long-distance communications costs are described. Long-distance and local communications services are used by the Government to process administrative data between user locations, to make computer inquiries, and to make high-speed bulk transfers of data between user locations. Significant savings and improved service can be achieved through centralized use of multiplex systems to satisfy Government communications requirements. Multiplexing, a technique whereby electronic devices at each end of a single circuit simultaneously transmit a number of messages, eliminates the need for numerous individual long-distance circuits between terminal points. The Department of Defense (DOD) and several civil agencies have developed multiplex systems, but not on a centralized Government-wide basis. If two Federal agencies could agree to share their multiplex systems under either joint or single management, the opportunities for economic benefits should increase. If all Federal agencies could agree, the opportunities for economic benefits should be maximized.

Findings/Conclusions: Annual cost savings information on the 643 DOD operational multiplex systems is no longer maintained. An annual savings of over $1.2 million has been achieved by 3 of the 240 existing civil multiplex systems agencies. Potential cost savings from centralized Government-wide development of miltiplex systems cannot be estimated. However, GAO believes that about 7,650 of the 8,500 individual circuits operating directly between 39 geographic locations are candidates for multiplexing. The potential cost savings was demonstrated by creating theoretical multiplex systems in place of existing individual circuits between Washington, D.C., and five metropolitan areas. An analysis showed that 105 high speed circuits had potential for multiplexing which could reduce annual costs 42.2 percent. For the 293 low- and medium-speed circuits with the potential for multiplexing, a net savings of 68.8 percent could be achieved. Multiplex devices are manufactured in fixed capacities, so users often acquire more capacity than they need. The cost effectiveness of existing multiplex systems could be improved if the unused capacity of one user's system is made available to other users. As a result of a 1973 GAO report on multiplexing, DOD and the General Services Administration (GSA) executed an agreement for joint use and sharing of a multiplex system. GSA has not yet forwarded a civil agency requirement to DOD. Of the 78 spare DOD channels linking Washington, D.C., and four geographic areas, 46 could be used to satisfy civil agency requirements at a net savings of 53.7 percent.

Recommendations: The Director, Office of Management and Budget, in coordination with the National Telecommunications and Information Administration, GSA, DOD, and other Federal agencies, should develop a policy, organizational structure, and implementing regulations to ensure that the Government is achieving the maximum benefits from multiplexing. The policy should require the use of multiplexing where economically and operationally feasible on a Government-wide basis. A single entity should be assigned responsibility for developing and managing multiplex systems for the entire Government. This entity must have the authority, necessary information, and adequate resources to fulfill the Government-wide management function envisioned. The implementing regulations should be designed to require compliance with the policy and to provide procedures that will ensure maximum benefits to the Government from multiplex technology.

Appropriations

All Federal agencies

Appropriations Committee Issues

The full realization of the Government's economic benefits through more effective use of multiplexing communications is lagging because of the lack of policies and regulations to ensure these benefits.

OFFICE OF MANAGEMENT AND BUDGET

Should Small Purchases Be Exempt From Complying With Social and Economic Program Requirements? (PSAD-80-77, 9-26-80)

Budget Function: Procurement--Other Than Defense (1007)

Legislative Authority: Buy American Act. Davis-Bacon Act (Wage Rates). Miller Act (Public Building Contracts). Service Contract Act of 1965. Rehabilitation Act of 1973 (P.L. 93-112). Executive Order 11246. P.L. 93-356. P.L. 95-507. P.L. 95-585. S. Rept. 93-318.

A GAO study involved an evaluation of an Office of Federal Procurement Policy (OFPP) recommendation which advocated raising to $10,000 the minimum level at which social and economic programs are applied to the procurement process. Inflation has depreciated dollar threshold levels to insignificance. As a result, fewer and fewer purchases are exempt from social and economic provisions, and the relative costs and paperwork requirements of small contracts are pushed higher with the increasing number of provisions to administer. As a result, the full benefit and cost savings potential of small purchase procedures have not been realized.

Findings/Conclusions: The agency procurement officials interviewed felt that the small dollar value Government contracts should be exempt from social and economic requirements, that the small purchase threshold should be selected as the minimum threshold for application of these requirements, and would favor a raise in the small purchase threshold and an escalator clause to keep the thresholds current. They would endorse any effort to make simplified small purchase procedures truly simplified. GAO agreed. Higher and more uniform threshold levels would help streamline administration, and the attention now devoted to lower dollar value contracts could be used to provide better enforcement on contracts above the small purchase threshold. A raise in the Davis-Bacon threshold to $10,000 would still mean protection for the same group of workers to whom Congress originally afforded protection; that is, workers on other than small, relatively insignificant contracts. Programs such as Davis-Bacon impose administrative requirements that are particularly onerous and disproportionately great for contracts under $10,000. GAO does not feel that the very large number of small contracts should be encumbered by procedures and provisions designed to afford protection for workers on large dollar value contracts.

Recommendations: The Office of Federal Procurement Policy should submit legislation to Congress to establish the small purchase threshold, currently $10,000, as the minimum threshold for all, not just selected, social and economic programs applied to the procurement process. The legislation should be submitted independent of the proposal for the Uniform Procurement System. The legislation should include provisions to raise the small purchase threshold to a level consistent with the inflationary trend that has occurred since it was established at $10,000 in 1974. An escalator clause should be included to permit administrative adjustments to prevent the time lag that now occurs between reductions in the value of money and legislative adjustments in thresholds affecting contracts. The legislation should include a procedure for monitoring future legislation to assure that no conflicts exist with the small purchase threshold.

Appropriations

Implementation of Commission on Government Procurement recommendations - Office of Management and Budget, Office of Federal Procurement Policy

Appropriations Committee Issues

Without implementation of COGP recommendation 44, the full benefit and cost savings potential of small purchase procedures have not been realized.

OFFICE OF MANAGEMENT AND BUDGET

Disparate Management of Small Arms by Federal Civil Agencies (LCD-81-5, 10-24-80)

Budget Function: General Government: Executive Direction and Management (0802)

A review was made of the management of small arms (handguns, rifles, and shotguns) by civilian agencies throughout the Federal Government.

Findings/Conclusions: GAO found that approximately 50,000 employees in more than 40 Federal civil agencies are assigned to carry small arms and ammunition. GAO reviewed how these agencies manage their small arms resources and capability and found that there was no central management guidance for civilian small arms. Also, management decisions were made independently by the agencies. Therefore, the management practices regarding small arms differ widely among agencies with similar missions.

Recommendations: The Director of the Office of Management and Budget should establish an interagency committee composed of experts from the key affected agencies.

Agency Comments/Action

The Office of Management and Budget (OMB) did not dispute the GAO primary conclusion that there is no central guidance for the management of small arms by Federal civilian agencies. There are many separate statutory authorities, enacted over many years, for various Federal agencies' law enforcement officers to bear and use small arms. Thus, management of small arms varies widely from agency to agency. GAO recommends that OMB review agencies' small arms management and policies to ensure the maximum effectiveness of Federal employees carryng small arms at the least practicable cost. OMB agrees that such a review should be undertaken and will request the Federal Law Enforcement Training Center (FLETC) to conduct this review. As the primary interagency Federal law enforcement training institute, FLETC is uniquely qualified to conduct this review and present findings and appropriate policy recommendations to OMB and through OMB to Congress.

Appropriations

Various agencies

Appropriations Committee Issues

The Committees should inquire into the progress of the review and monitor the findings and policy recommendations.

OFFICE OF MANAGEMENT AND BUDGET

Federal Budget Concepts and Procedures Can Be Further Strengthened (PAD-81-36, 3-3-81)

Budget Function: Impoundment Control Act of 1974 (1005)
Legislative Authority: Congressional Budget and Impoundment Control Act of 1974 (31 U.S.C. 1400; 88 Stat. 297; 88 Stat. 327). Antideficiency Act (31 U.S.C. 665).

Although the basic institutional and conceptual budget framework laid out in 1967 and 1974 is serving the Nation well, several recent developments have placed strains on the capacity of existing budget concepts and procedures to serve the budget information and control needs of Congress, the executive branch, and the public. Legislation has been enacted removing important Federal programs from the budget, resulting in incomplete budget coverage and totals that do not reflect the true level of Federal activities. GAO believes that it is essential to recognize the extent of the erosion which has taken place and to begin taking action to overcome the resulting inadequacies in the process. In the opinion of GAO, the Government's budgeting system must be improved to deal adequately with the serious economic conditions facing the Nation in this decade.
Findings/Conclusions: Five basic kinds of changes are needed in the budget process: (1) to place most off-budget Federal activities back onto the budget, early legislative action is needed; (2) to better control short- and long-term budget levels, a wide range of management, financing, and legislative actions are needed; (3) to strengthen program and policy level accountability, steps are needed to improve the budget's categories and related information; (4) to streamline the process in order to reduce paperwork and superficial reviews and increase the time for careful analyses and informed debate, changes are needed in scheduling and reporting requirements; and (5) to increase the reliability, consistency, and comparability of budget figures, action is required on several measurement concepts and practices.
Recommendations: Congress should act early on legislation to effect the budget reform changes identified in this report and the listed in appendix 1 as the changes on which early legislative action should be taken. Congress should exercise leadership in bringing about certain other budget reforms concerning matters that have been studied extensively, but which require congressional leadership for bringing about the changes. Congress should encourage further analyses on budget system problems that involve complex interrelationships and trade-offs, and that have not been extensively studied before. Congress should also take steps to establish a study group or commission comprised of high elected and appointed officials, and other senior experts, to conduct such further research.

Appropriations Committee Issues

There has been insufficient Office of Management and Budget/agency action on past GAO recommendations to improve the budget process.

OFFICE OF MANAGEMENT AND BUDGET

Implementation: The Missing Link in Planning Reorganizations
(GGD-81-57, 3-20-81)

Budget Function: General Government: Executive Direction and Management (0802)
Legislative Authority: Reorganization Act (Government Agencies). Reorganization Act of 1977 (5 U.S.C. 901 et seq.). Civil Service Reform Act of 1978. Reorg. Plan No. 1 of 1977. Reorg. Plan No. 2 of 1977. Reorg. Plan No. 1 of 1978. Reorg. Plan No. 2 of 1978. Reorg. Plan No. 3 of 1978. Reorg. Plan No. 4 of 1978. Reorg. Plan No. 1 of 1979. Reorg. Plan No. 2 of 1979. Reorg. Plan No. 3 of 1979. Reorg. Plan No. 1 of 1980.

The Reorganization Act of 1977 provides the President with broad authority to reorganize Federal agencies. The Act expires in April 1981. In anticipation of the reauthorization proceedings, the Senate Committee on Governmental Affairs asked GAO to identify: (1) what systemic problems, if any, new or reorganized agencies have had in obtaining personnel or support services made necessary by the reorganization; (2) how Congress and the executive branch can avoid or alleviate these problems; and (3) what services may be common to the successful implementation of any reorganization and must be routinely provided by the executive branch to effectively and efficiently carry out the transfer. GAO limited its review to four reorganizations involving six agencies.

Findings/Conclusions: The agencies which GAO reviewed experienced substantial startup problems. These included: delays in obtaining key agency officials, inadequate staffing, insufficient funding, inadequate office space, and delays in establishing support functions such as payroll and accounting systems. Solving these startup problems distracted agency officials from concentrating on their new missions during the critical first year of operation. The reorganization plans, the accompanying presidential messages, and supporting information submitted to Congress discussed such matters as the purpose of the reorganization, the affected policies and programs, and relevant statutes. However, the plans and supporting information did not address the administrative and operational requirements to carry out the proposed reorganizations. Factors such as the availability of needed office space or the time and cost required to establish support functions were not considered until the plans had met congressional approval. Many of the responsibilities for implementation were left up to the new and reorganized agencies. Office of Management and Budget coordination and oversight during most of the reorganizations were not enough to prevent problems. These startup problems could be alleviated by including in future reorganization plans front-end implementation planning objectives. The establishment of high level interagency implementation task forces to obtain timely commitments from all Federal agencies affected by reorganization plans might help to further alleviate startup problems.

Recommendations: Congress should require that reorganization plans contain sections on proposed implementation actions for any future legislation granting reorganization authority to the President. These sections should describe (1) the high level interagency task force or other mechanism established to facilitate implementation activities; and (2) actions being taken to assure that, upon congressional approval of the reorganizations, factors such as leadership, staffing, funding, office space, and administrative support functions will be evaluated and planned for so as to expeditiously implement the reorganizations on their effective dates or as soon thereafter as practicable.

Agency Comments/Action

GAO did not obtain official agency comments on its report due to the short timeframe between completion of its work and the expiration of the Reorganization Act in April 1981. S. 893, which passed the Senate in June 1981, included language implementing GAO recommendations. This bill requires that the President's message transmitting a reorganization plan to Congress shall present evidence that preliminary planning has taken place, through an interagency taskforce or otherwise, to achieve effective implementation of the reorganization. House action is pending.

Appropriations

All new and reorganized Federal agencies affected by the President's reorganization authority.

Appropriations Committee Issues

The Committees should monitor the adequacy of implementation planning and follow through for new and reorganized agencies' leadership, staffing, funding, office space, and administrative support function requirements.

OFFICE OF MANAGEMENT AND BUDGET

Civil Servants and Contract Employees: Who Should Do What for the Federal Government? (FPCD-81-43, 6-19-81)

Budget Function: General Government: Executive Direction and Management (0802)
Legislative Authority: OMB Circular A-76. OMB Circular A-120. H.R. 7542 (97th Cong.). H.R. 7674 (97th Cong.). H.R. 8306 (97th Cong.). S. 2880 (97th Cong.). S. 2788 (97th Cong.).

GAO reviewed contractors' excessive involvement in executive branch agencies' basic management functions. The review was made because of concern about agencies using contractors to do work that should be done by Federal employees.

Findings/Conclusions: There are undoubtedly many causes for excessive contractor involvement in the performance of basic agency management functions. In the opinion of GAO, significant ones include: (1) the increasing demands for governmental work being placed on a declining Federal workforce as Government programs increase in number, cost, and complexity; (2) the lack of sufficient guidance from the Office of Management and Budget (OMB) to distinguish between advice and performance of a Government function; and (3) agencies' inconsistent and relatively ineffective compliance with the executive branch policy to rely on contractors for commercial services. If the number and complexity of Government programs continue to increase as personnel ceilings limit the size of the Federal workforce, agency officials will probably experience more pressure to perform governmental work by hiring additional people indirectly through service contracts. GAO believes that this pressure can be lessened if agencies reallocate in-house commercial positions to governmental work. Since 1955, the emphasis of the executive branch's OMB A-76 policy has shifted from almost outright reliance on the private sector to reliance with several exceptions. Without legislation, the executive branch can continue to unilaterally shift policy emphasis. Although agencies are permitted to obtain contractors' advice on Government functions, it is sometimes difficult to tell where advice stops and performance begins.

Recommendations: Congress should enact legislation requiring Federal agencies to fully disclose when consulting service contractors assist in preparing congressionally mandated reports. Congress should act on an earlier GAO recommendation to legislate a national policy of reliance on the private sector for goods and services. The Director of OMB should prepare written guidelines that will better distinguish between contractors' advice on Government functions and their performance of such functions. These guidelines should clearly indicate where advice stops and performance begins.

Agency Comments/Action

OMB concurred with the report's recommendations and plans to (1) modify OMB Circular A-120 (Guidelines for the Use of Consulting Services) to require additional management controls to ensure that contractors do not perform Government functions; and (2) include a section on Government functions in an Office of Federal Procurement Policy pamphlet that is expected to be completed by December 1981.

Appropriations

Office of Management and Budget, Office of Federal Procurement Policy

Appropriations Committee Issues

The Commitees should consider improving the Government's management of Federal consultants and contractors.

OFFICE OF MANAGEMENT AND BUDGET

Gains and Shortcomings in Resolving Regulatory Conflicts and Overlaps (PAD-81-76, 6-23-81)

Budget Function: Natural Resources and Environment (0300)
Legislative Authority: Regulatory Flexibility Act (P.L. 96-354). Clean Air Act. Toxic Substances Control Act (P.L. 94-469). Resource Conservation and Recovery Act of 1976. Safe Drinking Water Act. Food, Drug and Cosmetic Act. Civil Rights Act of 1964. Clean Air Act Amendments of 1970.

In response to growing concern in Congress and in the business community, GAO examined the nature, extent, and causes of conflicting and overlapping regulatory requirements. GAO met with various Federal officials, reviewed pertinent documents, and asked 50 large companies to provide it with specific examples of conflict and overlap.

Findings/Conclusions: About half of the responding companies said that regulatory conflict and overlap were not a major problem or that other regulatory issues, especially excessive regulation, excessive paperwork, and the unresponsiveness of the rulemaking process, were of equal or greater concern to them. Although the companies said regulatory conflict and overlap did not pose a major economic burden on them, they found it difficult to make specific cost estimates. Conflict and overlap examples fell into three categories: (1) interacting requirements, (2) overlapping jurisdictions, and (3) duplicative enforcement. Authorizing legislation is one source of regulatory conflict and overlap. The statutory causes include single-purpose legislation that fails to establish priorities, broad delegations of statutory authority that fail to establish clear jurisdictions, and overly specific procedural requirements. Another source of regulatory conflict and overlap is the manner in which regulatory agencies exercise their authority. A third source is the sharing of rulemaking and enforcement responsibilities. Finally, Federal and State standards are not always consistent. Congressional efforts to reduce conflict and overlap have concentrated on improving regulatory management rather than making major structural realignment of agencies' responsibilities. The GAO study supports the need for close Federal-State working relationships. State and local government participation at an early stage in rulemaking and enforcement should be encouraged.

Recommendations: The Director of the Office of Management and Budget (OMB), in cooperation with the Task Force on Regulatory Relief, should: (1) require regulatory agencies to assess the effects associated with interacting regulatory requirements as part of their procedures to conduct regulatory impact analyses; (2) continue to study selected industries to identify and mediate regulatory problems such as conflict and overlap; (3) identify and evaluate statutory impediments to regulatory coordination and recommend legislative changes when necessary to allow agencies to work together; and (4) require regulatory agencies to schedule for concurrent review closely related rules that establish requirements for the same product, process, or substance.

Appropriations

Office of Management and Budget

Appropriations Committee Issues

The Committees should require that OMB report on its progress in improving regulatory coordination and the specific steps it has taken to identify and resolve regulatory conflict and overlap.

OFFICE OF MANAGEMENT AND BUDGET

Independent Regulatory Agencies Can Reduce Paperwork Burden on Industry (AFMD-81-70, 7-7-81)

Budget Function: Financial Management and Information Systems: Regulatory Accounting Rules and Financial Reports (1106)
Legislative Authority: Paperwork Reduction Act of 1980 (P.L. 96-511).

GAO reviewed the progress being made by the Civil Aeronautics Board (CAB), the Federal Communications Commission (FCC), the Federal Energy Regulatory Commission (FERC), the Federal Maritime Commission (FMC) and the Interstate Commerce Commission (ICC) in reducing the accounting and financial reporting burden on industries that they regulate. The Paperwork Reduction Act of 1980 was enacted to improve the way the Federal Government collects, uses, and disseminates information. Among other significant provisions, the new law gives the Office of Management and Budget (OMB) authority to review and clear all independent regulatory agency reporting and recordkeeping requirements and requests.

Findings/Conclusions: Some independent regulatory agencies are collecting information that they neither need nor use. Such unneeded information is being collected because most agencies have no effective reports clearance process to screen requests for data. The reports clearance process, which was intended to be a screening device to preclude the collection of unneeded information, has not worked well in most of the agencies GAO reviewed. Despite legislation which limits Federal agengies' information collection to that which is necessary for the proper performance of their functions, some agencies collect information for private parties even when the information is not needed for Federal Government purposes. Regulatory agencies realize that small companies have less impact than large companies on their industries and that the burden of complying with accounting and financial reporting is relatively more difficult for smaller companies. This has led these agencies to establish graduated reporting requirements, but the benefits of graduated reporting are not being fully realized because the agencies have not adequately addressed the effects of inflation on reporting requirements. Agencies require regulated companies to retain certain records for specified periods of time because the records contain evidence of financial and legal commitments. GAO found that agencies are requiring companies to retain records for periods longer than necessary because retention requirements are: (1) not based on agency needs; (2) outdated; and (3) vague about which records are to be retained and for how long.

Recommendations: The Director of OMB should require the CAB, FCC, FERC, FMC, and ICC to strengthen the reports clearance function in accordance with the Paperwork Reduction Act of 1980 as a means of verifying the need for the information being collected. The Director of OMB should require the CAB, FCC, FERC, FMC, and ICC to effectively implement the requirements of the Paperwork Reduction Act of 1980 by limiting the collection of information to that which is necessary for the proper performance of Federal Government functions. The Director of OMB should require that the CAB, FCC, FERC, FMC, and ICC make better use of graduated reporting by addressing the effects of inflation on class size and by basing class size on the agency's need for the information rather than on an arbitrary designation. The Director of OMB should require the CAB, FCC, FERC, FMC, and ICC to increase the effort and attention given to record-retention programs, especially to revising requirements so they reflect the agency's current need for records and restating record descriptions and retention periods to remove vagueness and ambiguity.

Agency Comments/Action

Agency comments had not been received as of September 30, 1981.

Appropriations

Various appropriations - Office of Management and Budget

Appropriations Committee Issues

The Committees should determine the progress that has been made in reducing the paperwork burden by the Civil Aeronautics Board, the Federal Communications Commission, the Federal Energy Regulatory Commission, the Federal Maritime Commision, and the Interstate Commerce Commission.

OFFICE OF MANAGEMENT AND BUDGET

Increased Agency Use of Efficiency Guidelines for Commercial Activities Can Save Millions (FPCD-81-78, 9-30-81)

Budget Function: General Government: Executive Direction and Management (0802)
Legislative Authority: OMB Circular A-76. OFPP Pamphlet 4.

GAO completed a limited survey of the Office of Management and Budget (OMB) program to increase the efficiency of commercial or industrial-type activities in the Government.

Findings/Conclusions: GAO believes that OMB might be able to save millions of dollars by requiring wider agency usage of OMB guidelines on developing performance standards. These guidelines, originally issued to assure that contract personnel performed required Government services at the lowest possible cost, can also be used to assure that in-house personnel perform required services at the lowest possible cost by identifying unnecessary or inefficient work practices. Through its participation in the efficiency review program, the Department of Defense has reported savings of about $30 million over a 3-year period. However, the civilian agency with the largest commercial activity annual operating costs, the General Services Administration, has not followed OMB guidelines on performance standards. As a result, its costs are higher than necessary. The Office of Federal Procurement Policy issued written guidelines to help agencies properly prepare contract statements of work based on performance standards. It gives detailed instructions on how to accurately describe the Government's minimum work requirements and performance levels. GAO also believes that the OMB direction to executive branch agencies to accelerate implementation of OMB Circular A-76 is commendable and should result in more efficient Government operations. However, if agencies are to accelerate their A-76 programs, it is essential that OMB establish controls to assure that cost comparisons are completed properly and do not result in erroneous decisions to convert commercial activities to contract or in-house performance.

Recommendations: The Director of OMB should: (1) make the Office of Federal Procurement Policy (OFPP) Pamphlet No. 4 an attachment to OMB Circular A-76; (2) require agency contracting officers to determine if the statement of work was generally prepared according to OFPP Pamphlet No. 4; and (3) emphasize to all agencies the importance of using OFPP Pamphlet No. 4 to develop performance work statements.

Agency Comments/Action

Agency comments were not available as of October 20, 1981.

Appropriations

All Federal agencies

OFFICE OF PERSONNEL MANAGEMENT

Policy of Paying Cost-of-Living Allowances to Federal Employees in Nonforeign Areas Should Be Changed (FPCD-75-161, 2-12-76)

Budget Function: Central Personnel Management (0805)
Legislative Authority: 5 U.S.C. 5941 (a)(1)(1970).

GAO reported to the Congress that the cost-of-living allowance paid to certain employees in Alaska, Hawaii, Guam, Puerto Rico, and the Virgin Islands, is no longer an appropriate means of compensation. The allowance was authorized by a 1948 law to reimburse Federal white-collar employees in nonforeign areas outside the continental United States when their living costs were substantially higher than those in the Washington, D.C. area. The report questioned the need for continuation of the allowance based on the following reasons. Nonforeign areas have undergone major social, economic, and political change since the law was enacted authorizing the allowance. A Federal pay-setting policy of comparability with the private sector has been enacted and placed in operation. The cost-of-living allowance is inconsistent with this principle. The allowance is discriminatory because it is not given in other areas of the United States where the cost of living is high. Conversely, pay is not adjusted downward in cost-of-living areas. GAO recommended that the allowance be eliminated. A more equitable means of compensation, such as special pay rates based on private sector pay rates, could be used, if warranted, to overcome any recruitment and retention problems caused by higher private sector pay in these areas. The report also pointed out that, as administered by the Civil Service Commission, the allowance overcompensates nonforeign area employees for interarea cost-of-living differences. Until such time as the provision of law authorizing the allowance may be repealed, the Commission should make the following changes to better achieve the legislative intent of compensating for interarea cost-of-living differences: (1) apply the cost-of-living differential percentage to employees' spendable income rather than base pay as this would eliminate the financial gain for such items as Federal income taxes and retirement contributions, which are not included in the interarea comparisons but which cost the same regardless of place of employment; (2) in computing the allowance, consider marital status, family size, income level, and State and local income taxes, which affect employees' living costs; and (2) establish regional rather than flat area-wide allowance rates to recognize any intra-area cost-of-living differences which may exist. The Commission (now the Office of Personnel Management) expanded its living cost surveys to include additional locations in Hawaii, Puerto Rico, and Alaska and, in November 1976, established separate allowance rates reflecting interarea living cost differences.

Agency Comments/Action

By mandate of Executive Order 12070, June 30, 1978, OPM re-evaluated the entire cost-of-living allowance program for nonforeign areas. In its May 1979 report to the President, OPM recommended that the program be eliminated. To date no action has been taken.

Appropriations

Salaries and expenses - Office of Personnel Management

Appropriations Committee Issues

OPM should improve its administration of the cost-of-living allowance in nonforeign areas to better achieve the legislative intent of the program.

OFFICE OF PERSONNEL MANAGEMENT

Special Retirement Policy for Federal Law Enforcement and Firefighter Personnel Needs Reevaluation (FPCD-76-97, 2-24-77)

Budget Function: Income Security: Federal Employee Retirement and Disability (602).
Legislative Authority: P.L. 80-168. P.L. 80-879. P.L. 84-854. P.L. 92-382. P.L. 93-350. 5 U.S.C. 8331-39.

The adequacy, effectiveness, and reasonableness of the Government's policy of providing earlier and more generous retirement benefits to Federal law enforcement and firefighter personnel were investigated.

Findings/Conclusions: The law currently authorizes these special retirement benefits for about 52,000 Federal employees. The purpose of the special retirement law is to improve the quality of law enforcement and firefighting services by helping to maintain a young, vigorous work force. The more generous benefits are provided to make earlier retirement economically feasible. The Special retirement policy is an expensive method of marginally reducing the age of retirement. Covered employees are not retiring much earlier than employees under regular civil service retirement provisions.

Recommendations: Congress should reevaluate the need for special, early retirement. If it is considered necessary to compensate certain personnel for the hazard and stress commonly associated with these occupations, that compensation should be reflected in pay, not in retirement benefits. Employees who cannot perform satisfactorily before the optional retirement age should be reassigned to less demanding duties or, as a last resort, retired under existing disability programs. If the special retirement policy continues, Congress should amend the law to require additional retirement contributions by employing agencies and reevaluate the eligibility criteria, the mandatory retirement provision, and the benefit structure.

Appropriations

Salaries and expenses - Office of Personnel Management

Appropriations Committee Issues

The continued need for the special, early retirement benefits is questionable. The special, early benefits cost considerably more than regular civil service benefits (about 61 percent more according to the then existing Civil Service Commission). Covered employees and employing agencies each contribute 7.5 percent of base pay toward these benefits, but their normal cost (as a percentage of pay) is estimated to be about 21 percent ignoring inflation and about 45 percent considering inflation. As a minimum, employing agencies' contributions should be raised to cover these costs, thereby eliminating the hidden treasury subsidies.

OFFICE OF PERSONNEL MANAGEMENT

Federal Retirement Systems: Unrecognized Costs, Inadequate Funding, Inconsistent Benefits (FPCD-77-48, 8-3-77)

Budget Function: Income Security: Federal Employee Retirement and Disability (602).
Legislative Authority: Employee Retirement Income Security Act of 1974. P.L. 95-595. 5 U.S.C. 83. 10 U.S.C.61-73. 14 U.S.C. 11. 14 U.S.C. 13. 33 U.S.C. 17. 42 U.S.C. 212. 22 U.S.C. 1061-1121. 26 U.S.C. 7447-7448. 28 U.S.C. 17.

The cost and liabilities of Federal retirement programs are much greater than recognized by current costing and funding procedures.

Findings/Conclusions: In 1976, seven of the Government's retirement systems paid over $15.6 billion to retirees and the survivors of deceased employees and retirees, an increase of $10 billion since 1970. The systems also reported liabilities exceeding $320 billion for which less than $44 billion had been set aside in Federal trust funds. Federal retirement systems' funding requirements vary, and in most cases are less stringent than those imposed by law on private pension plans. Usually, little or no consideration is given to the effect of future general pay increases and annuity adjustments on ultimate benefit payments, resulting in a considerable understatement of benefit costs accruing each year.

Recommendations: Congress should enact legislation requiring that the full cost of Federal retirement systems be recognized and funded and that the difference between currently accruing cost and employee contributions be charged to agency operations. In addition, Congress should establish an overall Federal retirement policy to guide retirement system development. Centralization of committee jurisdiction over all Federal employee retirement systems would facilitate the establishment and implementation of such a policy.

Agency Comments/Action

Some of the agencies commenting on the draft report agreed with GAO that the full cost of retirement benefits should be recognized. Others had no comment on the recommendation. Some self-supporting agencies agreed that the costs of their operations were being understated. Others, however, believed that Congress should appropriate funds to pay the higher costs rather than increase charges to the users of the agencies' service. During the 95th Congress, three pieces of legislation were introduced relative to the report's recommendations. They were H.R. 9701, Senate Resolution 244, and H.R. 12392. Public Law 95-595 (H.R. 9701), approved November 4, 1978, subjected all Federal pension plans to the annual financial and actuarial reporting requirements of the Employee Retirement Income Security Act of 1974. Under the law, GAO is responsible for developing the reporting standards for certain pension plans and, when appropriate, for auditing required reports. Senate Resolution 244, adopted in June 1978, calls for Treasury to study the major Federal retirement systems and, using dynamic assumptions, to determine the extent of the present and future unfunded liability of each system, the method of financing each system, and the actions necessary to be taken to insure the solvency of each system. H.R. 12392 proposed the establishment of a Department of Defense Military Retirement and Disability Fund and called for fully funding the military retirement system on a dynamic normal cost basis. However, time did not permit consideration of the legislation.

Appropriations

Personnel salaries and expenses - Government-wide
Military personnel - Army, Navy, Air Force

Appropriations Committee Issues

The legislation enacted in the 95th Congress was the first step toward full cost recognition and funding of retirement benefits. Similar legislation needs to be introduced and enacted for all Federal retirement systems. Further, retirement costs need to be allocated to the participating agencies to eliminate the unrecognized subsidies that are accruing to agencies whose operations are intended to be self-supporting.

OFFICE OF PERSONNEL MANAGEMENT

Federal and District of Columbia Employees Need To Be in Separate Pay and Benefit Systems (FPCD-77-71, 1-12-78)

Budget Function: Income Security: Federal Employee Retirement and Disability (0602)
Legislative Authority: District of Columbia Self-Governmental Reorganization Act (P.L. 93-198); P.L. 93-407; P.L. 94-533; Title 4, District of Columbia Code (1973).

The pay and fringe benefits of Federal and District of Columbia employees are interrelated. Most District employees are covered by Federal pay and retirement systems, and some Federal law enforcement personnel participate in the District's pay and retirement systems for its police and firemen.

Findings/Conclusions: Each Government should control the nature, level, and costs of its employees' compensation. The Federal law enforcement personnel participating in the District's pay and retirement system receive higher pay and have much better retirement benefits than comparable Federal civil service employees. The District's retirement system is more costly than that of the Federal Government, but participating employees contribute less than their Federal counterparts. The Federal protective services employees' compensation should be equitable and consistent with that provided to other Federal law enforcement personnel. The District should establish its own employee compensation system so that compensation is consistent with local management objectives and affordable for District residents.

Recommendations: The Mayor and City Council should establish new pay and fringe benefit systems for District employees now subject to Federal civil service systems. Congress should: amend the District of Columbia Home Rule Act to provide that the District government establish its own pay and benefit policies and systems for District employees now covered by Federal systems; require the Civil Service Commission (now the Office of Personnel Management), Office of Management and Budget, and the District government to study and report on the desirability of transferring District employees covered by the Federal retirement system to a District administered and controlled retirement system or retaining them in the Federal system; make all new Federal law enforcement personnel subject to civil service pay and retirement systems; and require a study on the desirability and feasibility of transferring existing Federal employees now covered by the District's retirement system to the Federal civil service retirement system.

Agency Comments/Action

The then existing Civil Service Commission, Office of Management and Budget, and Departments of the Treasury and the Interior agreed that Federal personnel should be covered by Federal pay and retirement systems and are studying the matter. The District of Columbia Retirement Reform Act of 1979 addressed the major concerns about its District retirement system. That legislation applied only to District personnel and did not affect the 1500 Federal law enforcement personnel now covered by the District's retirement system.

Appropriations

Salaries and expenses - Office of Personnel Management
Federal payment to District of Columbia - District of Columbia Government
Salaries and expenses - Office of Management and Budget

Appropriations Committee Issues

The 1500 Federal personnel covered by the District's programs receive higher pay for the same levels of work and have much better retirement benefits than their Federal civil service counterparts. The higher levels of compensation inflate already high Federal personnel costs and create serious inequities within the Federal work force. Also, Federal and District employees who retire under the District's system and are subsequently employed in a Federal or District position covered by civil service are permitted to receive both their full retirement annuity and the position's full salary. Such dual payments are inequitable and costly.

OFFICE OF PERSONNEL MANAGEMENT

Personnel Restrictions and Cutbacks in Executive Agencies: Need for Caution (FPCD-77-85, 2-9-78)

Budget Function: General Government: Central Personnel Management (0805)

For the Federal Government to be effective, its programs and activities must be effectively implemented. Sound implementation can be weakened by too many employees, resulting in costly nonproductivity, or by too few, resulting in an unmanageable workload. Over the past several years, GAO has issued many reports illustrating the problems caused by insufficient staff. These problems, affecting a wide range of Government programs, include work backlogs, ineffective implementation of legislative mandates, excessive use of overtime and consultants, and, in several cases, criminal abuses.

Findings/Conclusions: Staff shortages are sometimes the result of agency mismanagement. However, some programs are inadequately staffed for reasons over which the agency has little or no control. Insufficient funding can prevent an agency from hiring the employees it needs, and personnel ceilings can have similar restrictive effects. Mechanisms for controlling personnel resources are needed; however, other elements such as travel, equipment, working space, and supplies must also be carefully analyzed for their effect on program management.

Recommendations: Congress should carefully assess the impact of personnel ceilings and cutbacks if it is to avoid reducing staff at the expense of effectively administered programs.

Appropriations

Salaries and expenses - Office of Personnel Management

Appropriations Committee Issues

Action taken to hold down or reduce the size of the Federal workforce can have adverse effects on the achievement of Federal program goals.

OFFICE OF PERSONNEL MANAGEMENT

Disability Provisions of Federal and District of Columbia Employee Retirement Systems Need Reform (FPCD-78-48, 7-10-78)

Budget Function: Income Security: Federal Employee Retirement and Disability (0602)
Legislative Authority: 4 U.S.C. 501-529. Title 31, sections 701 to 746, D.C. Code.

Previous reports have discussed shortcomings in the disability provisions of Federal and District of Columbia retirement programs. Action on recommendations made in prior reports is still needed.

Findings/Conclusions: The number of retirees receiving civil service disability annuities more than doubled from 1970 to 1977. The Office of Personnel Management's (OPM) interpretation of entitlement to disability retirement is based on an employee's ability to perform specific functions, and employees are not obligated to accept reassignment. Within the civil service retirement system, earlier and more generous retirement benefits are authorized for Federal law enforcement and firefighter personnel. The costs of providing early retirement benefits under the special retirement policy are over 50 percent greater than they would be for regular optional retirement. Seven retirement systems cover most Federal personnel and there is wide variation in the disability provisions of these systems. The District of Columbia police and fireman's retirement system permits members to retire on disability for service-connected disability or after 5 years for other disabilities. Optional retirement benefits under this system are among the best in the country, but most of the personnel have retired under the system's aggravation clause.

Recommendations: The Congress should: enact legislation that will encourage retention of potentially productive employees under the civil service system; revise this system's definition of economic recovery to preclude disability retirees from retaining annuities if they are earning more than the current pay for their former jobs; study and legislate a resolution to the issue of using Federal tax returns to verify reported income; reevaluate the need to continue the special retirement policy, and if it is needed, reevaluate eligibility criteria, mandatory retirement provision, and the benefit structure; establish an overall Federal retirement policy; and enact legislation making new Federal personnel in positions now covered by D.C. systems subject to civil service systems, revising eligibility criteria and benefits for disability retirements under the D.C. police and firemen's retirement system, and precluding retirees from benefiting from cost-of-living increases that occurred while they were employed. OPM should encourage job reassignment, discontinue its policy of advising employees to use extended sick leave before filing for disability retirement, require more information on annuitants' current job duties, develop means to verify reported income, and analyze the adequacy of annuities for those severely disabled.

Agency Comments/Action

This report summarized previously issued reports, and formal agency comments were not obtained. OPM agrees that the disability program needs changes and has proposed several legislative reforms to Congress. These reforms address some but not all the open recommendations on the Federal disability retirement program. Major concerns regarding the District of Columbia disability retirement program were addressed by the District of Columbia Retirement Reform Act of 1979.

Appropriations

Salaries and expenses - Office of Personnel Management

Appropriations Committee Issues

A reevaluation of the disability retirement policy is needed to protect the financial stability and integrity of the civil service. Affected agencies should be required to reassign potential disability retirees to vacant positions within the same occupational class when the individual is capable of performing that job.

OFFICE OF PERSONNEL MANAGEMENT

Civil Service Commission Should Correct Weaknesses in Its Automatic Data Processing Policies and Practices (FPCD-78-94, 11-20-78)

Budget Function: General Government: Central Personnel Management. (0805)

The Civil Service Commission (CSC) is becoming increasingly reliant on automatic data processing (ADP) support to carry out its missions.

Findings/Conclusions: Weaknesses in the CSC ADP management were noted in policy matters, program documentation, security planning, and contingency planning.

Recommendations: The CSC or its successor, the Office of Personnel Management, should establish a comprehensive, uniform ADP policy; expand the current program documentation standard to include all ADP production programs; and strengthen ADP security planning.

Agency Comments/Action

The Office of Personnel Management (OPM) has developed a specific agenda for bringing OPM into compliance with the GAO recommendations.

Appropriations

Salaries and expenses - Office of Personnel Management

Appropriations Committee Issues

ADP costs might be reduced and performance improved through more effective program controls.

OFFICE OF PERSONNEL MANAGEMENT

Most Federal Employees on the Job 40 Hours or More Weekly: Tighter Controls Among Proposals for Those Who Work Less

(FPCD-79-24, 5-21-79)

Budget Function: General Government: Central Personnel Management (0805)
Legislative Authority: Civil Service Reform Act of 1978. Fair Labor Standards Act of 1938. Federal Employees' Pay Act of 1945 (5 U.S.C. 6101). 5 C.F.R. 630.206. H.R. 1784 (96th Cong.). B-179810 (1976). B-190011 (1977).

In order to determine the extent of compliance with Federal workday requirements, a study plan was devised using two approaches: a questionnaire was sent to a random sample of 3,500 civilian employees from seven of the largest Federal agencies; and interviews with 238 personnel officers, managers, and union representatives were conducted at 29 locations. Response rates for the questionnaire were above 80 percent. GAO studied only the time spent at the workplace, and not the productive use of that time.

Findings/Conclusions: Of the questionnaire respondents, 75 to 83 percent worked at least 40 hours per week, 18 to 27 percent worked 41 to 70 hours, and 17 to 26 percent worked 33.5 to 39.9 hours. Extended lunchbreaks appeared to be the most frequent abuse, particularly in urban locations where eating facilities were often congested. Supervisors generally did not place high priority on monitoring work hours for the following reasons: they trusted employees to follow policy, they believed most employees worked 40 hours a week and made up any lost time, and they believed deadlines were met. Two major issues that appeared to be emerging were the length of the workweek and its effect on employment and productivity, and the focus of Government control.

Recommendations: The Director of the Office of Personnel Management should: obtain government-wide information on all agencies' official and unofficial policies and practices on scheduled work hours, lunch, and breaks; compare and evaluate those policies and practices; identify the need for additional guidance; and issue necessary guidance and require necessary changes. The Director should design an experiment, one of the research and demonstration projects authorized in the Civil Service Reform Act, to test the use of performance measures rather than hours at the workplace as the basis on which personnel are paid. This experiment should also test the effects of tight versus lenient controls. In considering any legislation to reduce the workweek, Congress should relate Federal work-hour decreases to changes in overall productivity or other measures of performance or fringe benefit tradeoffs. To do this, better data from work measurement, productivity, and cost systems would be needed. In addition, a total compensation comparability policy would need to be established by Congress. Results of this research and demonstration project should be used to evaluate the need for changes in legislation.

Agency Comments/Action

OPM stated that it generally agrees with all of the report recommendations and that it would attempt to implement them when possible.

Appropriations

Personnel functions - Office of Personnel Management

Appropriations Committee Issues

OPM needs to monitor work hour policies and provide guidance and direction to agencies to ensure that both employees and the Federal Government are treated equitably.

OFFICE OF PERSONNEL MANAGEMENT

Lack of Action on Proposals To Resolve Longstanding Problems in Investigations of Federal Employees (FPCD-79-92, 9-25-79)

Budget Function: Central Personnel Management (0805)

Following a December 1977 report on proposals to resolve problems in investigations of Federal employees, recommendations were made to Congress and the Office of Personnel Management (OPM) which showed that the authority for investigations is out of date and has been eroded by more recent laws and court decisions. OPM does not have adequate classification criteria for agencies to determine the proper investigation. The national agency check with inquiry investigation is inadequate for employees with sensitive duties and too extensive for most employees. OPM has inadequate controls for disseminating information to protect individual rights. Concern has been expressed about the lack of action taken to resolve the problems identified.

Findings/Conclusions: Even though GAO, Congress, and OPM agree that the current investigation program has serious problems, few improvements have been made. OPM does not plan to make significant changes to the existing program unless it is directed to do so and is provided the needed resources. This follow-up reemphasized the failure of the current program to adequately protect either the Government or individual rights.

Recommendations: OPM should provide clear criteria for determining the extent of investigations, make sure investigative coverage is proper, establish controls to protect individuals' privacy, and obtain approval to retain the security resource file on organizations. Congress should consolidate into one law the authority to investigate and judge the suitability of Federal employees, including the potential of employees in sensitive positions to impair national security.

Agency Comments/Action

An Inter-Agency Study Group has been established to study and review the issues and to make recommendations as to their solution.

Appropriations

Salaries and expenses - Office of Personnel Management
Operation and maintenance - Department of the Treasury

Appropriations Committee Issues

Costs of personnel investigations could be reduced with improved management of the investigation process.

OFFICE OF PERSONNEL MANAGEMENT

Pay for Holidays Under Compressed Work Schedules (FPCD-80-21, 12-4-79)

Budget Function: General Government: Central Personnel Management (0805)
Legislative Authority: Federal Employees' Flexible and Compressed Work Schedules Act of 1978 (P.L. 95-390). F.P.M. Letter 620-2. H. Rept. 95-912. S. Rept. 95-1143. 5 U.S.C. 6103. 5 U.S.C. 6104.

The Office of Personnel Management's (OPM) administration of pay for holidays under the compressed and flexible work schedules experiment was examined. A compressed work schedule is one in which the basic 80-hour biweekly work requirement is completed in less than 10 workdays. OPM implementing regulations provide that employees on a compressed work schedule receive pay for a holiday equal to pay for the number of hours they would ordinarily be required to work on that day. Thus, an employee on a 4-day workweek would receive 10 hours' holiday pay, and holidays occurring on an employee's nonworkday would be observed on the workday preceeding or succeeding that day. Those Federal employees participating in the compressed work schedule experiments receive extra time off from work for each of the legal public holidays and their workweek would be reduced in the biweekly periods in which holidays occur. Employees on regular schedules and flexible schedules would not have reduced workweeks and would receive only 8 hours pay for holidays.

Findings/Conclusions: Title I of the Act specifies that employees under a flexible work schedule are entitled to only 8 hours' pay for a holiday. However, Title II of the Act is silent about pay for holidays not worked under compressed schedules. OPM implementing regulations are consistent with a statute providing an ordinary day's pay for a holiday. They are also consistent with the Act in that they provide a compressed schedule employee who works on a holiday with holiday premium pay for the hours worked that do not exceed the daily basic work requirement; hours worked on a holiday in excess of the daily basic work requirement would be paid as overtime. GAO endorsed the experiments with flexible and compressed work schedules, but the added expense of the extra time off for holidays is of concern. This is inequitable to other employees. GAO believes employees on a compressed work schedule should receive no more or no less paid absences from their work than those employees on flexible or traditional work schedules.

Recommendations: Congress should reconsider Title II of the Act with a view toward eliminating the extra fringe benefit by limiting the pay for holidays to 8 hours.

Agency Comments/Action

Although OPM believed its implementing regulations are consistent with the law, the Office of Management and Budget (OMB) advised GAO that in proposing the experiment with flexible and compressed work schedules, the Administration assumed that the added employee flexibility would not be any more costly than standard workdays and workweeks. OMB agreed that the pay for holidays under compressed work schedules conflicts with that premise. OMB advised us that it planned to pursue this matter with OPM.

Appropriations

Salaries and expenses - Office of Personnel Management

Appropriations Committee Issues

The extra paid time off employees on a compressed work schedule receive is costly. GAO estimates that the Federal Government annually loses over 1 million work hours valued at almost $9 million in salary costs. The extra paid time off results in either reduced services and productivity or additional personnel costs in overtime or additional employment required to compensate for the lost hours.

OFFICE OF PERSONNEL MANAGEMENT

Some Civil Service Retirees Subject to "Catch 62" Are Not Being Identified (FPCD-80-47, 4-22-80)

Budget Function: Income Security: Federal Employee Retirement and Disability (0602)
Legislative Authority: 5 U.S.C. 8332(j).

In reviewing the "Catch 62" provision of the civil service retirement system whereby military service performed after 1956 cannot be credited for both civil service and social security retirement benefits, GAO identified some administrative problems which could be readily corrected. Under current law, if a civil service retiree becomes eligible for social security benefits at age 62, the Office of Personnel Management (OPM) is to recompute the civil service annuity and exclude any military service after December 31, 1956, from the annuity computation.

Findings/Conclusions: This is not always being done, and the problem may be greatly exacerbated as more individuals with post-1956 military service become eligible for civil service and social security benefits. A spot check of 1979 retiree folders at OPM revealed that records were not being prepared according to OPM claims adjudication procedures which require that OPM ask the Social Security Administration (SSA) if a retiree is eligible for social security benefits. Thus, OPM could not follow up on retirees' social security eligibility. Uncorrected, this problem could result in substantial overpayments. OPM procedures do not identify retirees who become eligible for social security after age 62. Without followup procedures for those who become eligible for social security after age 62, civil service annuities will not be properly reduced. Additional problems could develop because the transactions between OPM and SSA are handled manually. Both agencies need to establish an automated system to identify retirees eligible for social security at age 62 and those who become eligible after age 62. The OPM quality assurance staff recommended that the annuitant's master record file on the existing automated data processing system be revised to include the years of post-1956 military service.

Recommendations: The Director of OPM should implement changes outlined by its quality assurance staff to avoid future overpayments. OPM should explore the possibility of determining whether there are any current retirees who should have their annuities reduced but who may not have been previously identified by the manual procedures. It is further recommended that the Director of OPM explore the possibilities of developing an automated system for determining and following up on social security eligibility to properly implement the current law.

Agency Comments/Action

OPM responded that it is currently undergoing a major conversion of the annuity roll to a new computer system. OPM elected to defer consideration of this recommendation until the conversion is completed.

Appropriations

Salaries and expenses - Office of Personnel Management

Appropriations Committee Issues

Overpayments to annuitants with post 1956 military service who become eligible for civil service and social security benefits could be eliminated if OPM established appropriate automated controls.

OFFICE OF PERSONNEL MANAGEMENT

Federal Executive Pay Compression Worsens
(FPCD-80-72, 7-31-80)

Budget Function: General Government: Central Personnel Management (0805)
Legislative Authority: Civil Service Reform Act of 1978. P.L. 90-206. P.L. 94-82.

Despite a 5.5 percent salary increase in October 1979, the adverse effects of limiting or denying these increases to Federal executives have worsened. The Senior Executive Service (SES) was created to provide monetary rewards to many top executives on the basis of performance.

Findings/Conclusions: Changes in pay-setting for Federal executives are critically needed if: (1) the problem executives face due to diminishing real salaries is to be alleviated; (2) pay distinctions are to accurately reflect differences between levels of responsibility and performance; and (3) agencies are to avoid serious recruitment and retention problems. SES success also depends on the granting of annual adjustments to the Executive Schedule and granting performance awards within already established guidelines. Restricting these essential incentives could exacerbate current problems, foster Government inefficiency, and increase Government expenditures to a level that would far exceed the cost of regular pay raises and performance bonuses. The congressional salaries' link to the Executive Schedule has adversely affected top executives at times when the Congress has, for a variety of reasons, held its own pay down. This has also helped to hold down the Level 5 ceiling on GS pay, compromising legislative mandates for pay comparability and pay distinctions to match work and performance distinctions. The congressional salaries' link to Executive Level 2 salaries has no legal foundation.

Recommendations: Congress should improve the pay-setting process for Federal executives by: (1) allowing the annual adjustments for executives under Public Law 94-82 to take effect; (2) discontinuing the practice of linking congressional and Executive level 2 salaries; and (3) allowing SES performance and rank awards to take effect.

Agency Comments/Action

The Office of Personnel Management agreed with the report.

Appropriations

Salaries and expenses - Various agencies

Appropriations Committee Issues

Congressional support is needed to allow annual salary adjustments for Federal executives to take effect.

OFFICE OF PERSONNEL MANAGEMENT

The Alternative Work Schedules Experiment: Congressional Oversight Needed To Avoid Likely Failure (FPCD-81-2, 11-14-80)

Budget Function: General Government: Central Personnel Management (0805)
Legislative Authority: Flexible and Compressed Work Schedules Act (P.L. 95-390; 5 U.S.C. 5542; 92 Stat. 755). Fair Labor Standards Act of 1938 (29 U.S.C. 201 et seq.; 52 Stat. 910). F.P.M. Supp. 990-2, Book 620.

Federal employees are participating in a nationwide voluntary experiment to determine the effects of alternative work schedules (AWS) and to determine whether, and in what situations, the Federal Government can successfully use them. The experiment was authorized by the Federal Employees Flexible and Compressed Work Schedules Act, which requires the Office of Personnel Management (OPM) to assess the positive and negative effects of alternative work schedules. Congress authorized the use of alternative work schedules with the intent that OPM carefully design, control, and evaluate an experimental program.

Findings/Conclusions: OPM has not carried out the congressional mandate. For fiscal year 1980, Congress funded less than one-half of the OPM budget request for the work schedules project. Because OPM did not receive the funding requested and did not internally reallocate the additional funds necessary, it eliminated some tasks and reduced the scope of others. Because OPM has not carried out these tasks, it lacks the degree of control needed to carefully manage and evaluate the experiment.

Recommendations: Congress should assess the current master plan and must agree on the: (1) specific evaluation objectives; (2) criteria for measuring attainment of those objectives; (3) costs and benefits of various experimental approaches; and (4) desired levels of precision and confidence. Congress should hold oversight hearings on the status and adequacy of AWS implementation and evaluation. In conducting this oversight, Congress should consider the: (1) need for, and costs and benefits associated with, modifying the existing master plan or developing a new one; (2) necessity for extending the three year experiment; and (3) desirability of establishing a joint executive agency task force to redesign and execute the master plan and to provide the needed experimental control. Congress should consider the desirability and need for: (1) using scientific sampling procedures which would allow findings and conclusions to be projected to the overall Federal work force; (2) analyzing multiple variables which may affect AWS impact and adjusting for variables which affect the results; (3) gathering public views about AWS and its effects on the degree and quality of the Federal Government's service to the public. Such consideration should include comparing public views with those using and not using AWS; and (4) establishing a true scientific experiment in which program design is carefully controlled, units are randomly assigned to program formats and to a control condition, and standardized data is collected on the effectiveness of the program. The Director of OPM should make a concentrated effort to correct the deficiencies affecting the AWS experiment. It is essential that accurate information be developed on such things as the actual number of employees using alternative work schedules, the number of experiments being conducted, the number of different types of work schedules being used, and the number of employees using each type of schedule. The Director of OPM should review a sample of work schedule plans to detect errors and to identify different design and implementation methods and variables which affect AWS results. The Director of OPM should reassess OPM priorities and, to the extent possible, reallocate internal budgeted funds to the AWS Program Office if additional funds and personnel are need to detect errors and identify different design and implementation methods and variables. The Director of OPM should assess the current master plan and agree on the: (1) specific evaluation objectives; (2) criteria for measuring attainment of those objectives; (3) costs and benefits of varioius experimental designs and analytical approaches; and (4) desired levels of precision and confidence. The Director of OPM should consider the desirability and need for: (1) using scientific sampling procedures which would allow findings and conclusions to be projected to the overall Federal work force; (2) analyzing multiple variables which may affect AWS impact and adjusting for variables which affect the results; (3) gathering public views about AWS and its effects on the degree and quality of the Federal Government's service to the public. Such consideration should include comparing public views with those using and not using AWS; and (4) establishing a true scientific experiment in which program design is carefully controlled, units are randomly assigned to program formats and to a control condition, and standardized data is collected on the effectiveness of the program. The Director of OPM should, to the degree possible, reallocate internal funds to the AWS Program Office so additional experienced staff with the necessary qualifications can assist in redesigning and executing the master plan. The Director of OPM should, to the extent that features of OPM's current evaluation approach are incorporated in any new plan, in a longitudinal and cross-sectional study: (1) eliminate the current employee and supervisor questionnaire which is being administered four times during the experiment; (2) design a new questionnaire which could specifically address the AWS experiences of employees, supervisors, and managers; individual reactions to AWS; and self-reported changes in the individual behavior which resulted from AWS; (3) incorporate two open-ended questions in the questionnaire asking respondents to describe the most positive and negative aspects of AWS; and (4) obtain responses from both users and nonusers of AWS. Onsite studies should be conducted to: (1) include agencies or work units which are more representative of some of the larger segments of the Federal work force; (2) standardize the format for case studies to a degree so that results can be compared; and (3) consider using outside contractors to conduct some of the case studies to determine how AWS was implemented, the reactions of employees and management, and the changes in operations, employee routines, and unit output. The Director of OPM should direct that narrative reports be produced: (1) requiring that a sample of work units prepare their reports about one year after they begin their AWS experiments; (2) monitoring the work units' data collection; and (3) determining the approach for reviewing and analyzing the reports as soon as possible. A special energy study should be conducted including an assessment of: (1) how AWS has affected individuals' modes of transportation, vehicle usage, and ability to use public mass transit; and (2) how the availability of mass transit affects individuals' abilities to use AWS or to exercise maximum AWS flexibility.

Agency Comments/Action

OPM generally agreed with the report recommendations.

Appropriations

Salaries and expenses - Various agencies

OFFICE OF PERSONNEL MANAGEMENT

Achieving Representation of Minorities and Women in the Federal Work Force (FPCD-81-5, 12-3-80)

Budget Function: General Government: Central Personnel Management (0805)
Legislative Authority: Civil Rights Act of 1964. Civil Service Reform Act of 1978 (P.L. 95-454). Equal Employment Opportunity Act of 1972 (42 U.S.C. 2000e-16). F.P.M. Letter 720-1. F.P.M. Letter 720-2. EEOC Management Directive 702. 5 U.S.C. 7151. 5 U.S.C. 7201.

The Civil Service Reform Act made Federal agencies responsible for establishing recruiting programs to eliminate underrepresentation of minorities and women in the Federal work force. The Act required the Equal Employment Opportunity Commission (EEOC) to establish guidelines for agencies to use in carrying out the program and the Office of Personnel Management (OPM) to issue regulations implementing a minority recruitment program. OPM required agencies to develop and have in operation by October 1, 1979, plans for eliminating underrepresentation of minorities and women. As of January 1980, about 70 percent of the agencies were still developing plans.

Findings/Conclusions: Several policy issues need to be resolved which will affect the direction of the Government's efforts to recruit, hire, and promote minorities and women in sufficient numbers to achieve a representative work force. These issues include: (1) how the labor force of the United States is to be defined; (2) how to use the civilian labor force for measuring underrepresentation for the recruitment program; and (3) how to integrate the use of the civilian labor force into the affirmative action goal-setting process. OPM and EEOC need to work together to successfully resolve these issues. None of the eight agencies which GAO reviewed had operational recruitment plans in place by October 1, 1979, because of late program guidance, significant data collection requirements, and uncertainty over program relationship to other programs. During the first year, neither OPM nor EEOC fully discharged their responsibilities for evaluating the recruitment program. Because few plans had been developed and implemented, the annual report was a status report on the program which did not address the program's effectiveness. OPM and EEOC need to coordinate their activities to assure a clear understanding of their respective responsibilities, eliminate potential duplicative efforts, and minimize the burden the two programs place on agencies. They need to clearly delineate who reviews guidance and what actions must be taken to resolve conflicts. The two agencies have not fully coordinated their evaluation efforts and differ on their approaches to measuring underrepresentation.

Recommendations: The Chair of EEOC should amend the affirmative action guidelines to include appropriate occupational data and timeframes as the baseline for establishing short-term and intermediate-range hiring goals. The Director of OPM and the Chair of EEOC should work with Federal agencies to gather appropriate occupational data for relevant labor markets for various Federal occupations. This data should be collected by each SMSA, each State, and the country. The Director of OPM and the Chair of EEOC should (1) clarify their respective responsibilities for managing the Federal Equal Opportunity Recruitment Program (FEORP), which would include determining the authority for respective responsibilities and the actions each agency must take when issuing and modifying regulations and guidelines; (2) clarify common evaluation responsibilities and how they will be coordinated to eliminate duplication and inconsistency; (3) identify and eliminate inconsistencies between the recruitment program and the Affirmative Action Program so that FEORP becomes an effective element of affirmative action plans; and (4) examine the data requirements for recruitment plans and determine what data can be used from OPM's Central Personnel Data File to minimize agencies' data burden and allow agencies more time to develop and implement the plans.

Agency Comments/Action

OPM generally agreed with the conclusions and recommendations and has taken steps to address potential problems and carry out most of the recommendations.

Appropriations

Salaries and expenses - Agency-wide

OFFICE OF PERSONNEL MANAGEMENT

Problems in Developing and Implementing a Total Compensation Plan for Federal Employees (FPCD-81-12, 12-5-80)

Budget Function: General Government: Central Personnel Management (0805)
Legislative Authority: S. 1340 (96th Cong.). H.R. 4477 (96th Cong.).

Legislation has been introduced which would give the President authority to adjust the rates of pay, benefits other than retirement, or both in order to achieve total compensation comparability between Federal employees and employees in the private sector. GAO and others have recommended that both pay and benefits be compared so that Federal total compensation can be equated to private sector total compensation. Currently, pay for Federal employees is based on pay in the private sector but does not take into account benefits such as retirement, insurance, and paid time off. The Office of Personnel Management (OPM) is testing a method to achieve total compensation comparability. GAO reviewed the proposed legislation and the OPM policies and techniques for measuring benefits and what impact they could have on the final comparability results.

Findings/Conclusions: While GAO believes that a total comparability policy should be adopted, features of the OPM approach need to be modified or substantiated before an accurate total comparability system can be achieved. Not only are there many benefits to be measured, but the more important ones, such as retirement and insurance, are contingent on future events. Under the OPM total comparability approach, only a nationwide measurement of benefits will be obtained. As part of the legislation, the Administration also proposes to base salaries of General Schedule employees below grade 15 on local rather than national rates; blue-collar wages are already based on local rates. Since indications are that private sector benefits can vary significantly from area to area, the use of local rates of pay with national benefit measures in a total comparability analysis and adjustment could introduce additional inequities into Federal compensation. The Administration believes that, unless the proposed changes are made to the Federal compensation-setting system, comparability for Federal employees may no longer be feasible. GAO believes that, because of the complexities involved in developing a total comparability system, an evolutionary approach which can be modified and refined over time should be considered. It supports the thrust of the legislation, but believes a number of improvements and alternatives should be considered.

Recommendations: Congress should insure that OPM analyze locality benefits and, if they vary materially by locality, require OPM to take local benefits into account in any locality compensation adjustment. Congress should require OPM to provide (1) detailed information and justification for the major assumptions used in its benefit measurements, including the cost implications of these assumptions; (2) assurance that benefit provisions can be gathered and accurately classified; and (3) some method for insuring that benefit differences by employee type are considered in its total compensation comparability analysis. Congress should amend the legislative proposal to require OPM to assess the extent of secondary benefits and, if feasible, develop appropriate measures of these benefits so they may be included in any assessment of total compensation comparability between the Federal and non-Federal sectors. Until these measures are developed, OPM should utilize available published data.

Agency Comments/Action

OPM agreed that there is a need for assessing secondary benefits and including them in the total compensation comparison. It has made progress in doing so for the 1980 benefits survey; for example, frequency data were collected on several secondary benefits. Benefits coding deficiencies noted in the 1979 benefits survey have also been corrected. OPM disagreed that benefit differences by employee group and locality should be determined and, if appropriate, included before any total compensation adjustments are made. OPM believes the advantages of including benefits and maintaining a single Federal benefits package would far outweigh any disadvantages caused by benefit differences by employee group or locality differences.

Appropriations

Salaries and expenses - Various agencies

Appropriations Committee Issues

The Committees should consider making Federal compensation comparable to private sector compensation.

OFFICE OF PERSONNEL MANAGEMENT

Civil Service Disability Retirement Program
(FPCD-81-18, 12-15-80)

Budget Function: Income Security: Federal Employee Retirement and Disability (0602)
Legislative Authority: Civil Service Reform Act of 1978.

In reports issued in 1976 and 1978, GAO recommended several changes to the disability retirement program which would serve to retain marginally disabled yet potentially productive employees. In addition to reviewing the Office of Personnel Management's (OPM) actions on the previous recommendations, GAO examined the processes used in adjudicating disability retirement claims and monitoring the disability rolls and reviewed a sample of disability annuitants.

Findings/Conclusions: GAO has been concerned that benefits may have been paid unnecessarily to many retirees. Some disability applications were approved without sufficient medical evidence. Some disability retirees were probably capable of performing other types of work at the time of retirement; some were receiving disability benefits while performing jobs similar to their prior Government jobs; and some were able to earn more than the pay for their prior Government jobs but continued to receive disability benefits. Many reforms are needed to reduce the growing costs of the program and to insure that benefits are only paid to the truly disabled. New OPM procedures require agencies to identify actions taken to place disabled employees in other positions in the agency. Additional changes in the program which are needed include: (1) a stricter definition for disability retirement; (2) improved policing of the disability retirement rolls by both economic and medical reviews; and (3) more timely reviews. OPM could save millions of dollars in payroll costs and improve the program's effectiveness by revising regulations to eliminate the requirement to counsel employees to reduce their sick leave balances before filing for disability retirement and separating employees immediately once the disability retirement has been approved.

Recommendations: The Director of OPM should amend the proposed regulatory revisions to (1) establish the same placement rights for disabled employees as those available to recovered disability retirees, (2) include reassignment of disabled employees across agency lines, and (3) discontinue advising employees to reduce their sick leave balance to 60 days before filing for disability retirement. Also, he should (1) include, as part of the placement policy, the downgrading of potential disability retirees to jobs with duties they can perform, and seek a statutory change, if necessary, to enable this action; (2) develop procedures which will establish complete and timely earnings and medical reviews of disability annuitants; and (3) develop disability case review procedures which provide for medical reviews of annuitants classified as permanently disabled but who display strong individual annual earnings.

Agency Comments/Action

OPM did not completely agree with the GAO recommendations. OPM has taken or is taking positive steps to remedy the major deficiencies.

Appropriations

Salaries and expenses - Various agencies

Appropriations Committee Issues

The Committees should consider improving the cost-effectiveness and efficiency of the civil service disability retirement program.

OFFICE OF PERSONNEL MANAGEMENT

Federal Work Force Planning: Time for Renewed Emphasis
(FPCD-81-4, 12-30-80)

Budget Function: General Government: Central Personnel Management (0805)
Legislative Authority: Civil Service Reform Act of 1978. OMB Circular A-11. OMB Circular A-64. OMB Circular A-76. OMB Circular A-117.

Workforce planning encompasses those management activities which determine an agency's workforce requirements and staffing needs. Its primary purpose is to provide management with sound data to make informed workforce requirements and staffing management decisions and to provide the basis for the development and justification of an agency's personnel budget. GAO undertook a study on some of the primary factors that tend to inhibit the development and use of sound workforce planning procedures and techniques by the Federal departments and agencies. Additionally, it identified several research efforts and recent proposals that need special management attention to improve the level and quality of workforce planning.

Findings/Conclusions: GAO found that one of the strongest and most consistent reasons agencies do not use workforce planning procedures is that the budget development and review process does not give appropriate consideration to the nature and extent of justification used in the personnel portions of agency budgets. Additionally, the absence of comprehensive policy, regulations, and standards governing or guiding agencies on workforce planning contributes to management's limited commitment. Other factors inhibiting the development and use of comprehensive work force planning include: (1) the apparent confusion regarding the definition, scope, and components of workforce planning and the sequence and cycle of planning tasks; (2) personnel constraints, such as personnel ceilings, average grade controls, and hiring and promotion freezes; (3) the slow progress in developing work and productivity measurement systems; (4) the unclear cost-benefit relationship with the development and use of a total workforce planning capability; and (5) the limited extent to which most agencies have developed integrated management information systems and have close operating relationships between principal management groups.

Recommendations: The Directors of OMB and OPM should jointly develop a workforce planning policy and procedures that (1) clarify the meaning and scope of workforce planning and provide descriptions of total planning systems, by identifying the respective components and the basic sequence and cycle of planning tasks; and (2) designate the methods, procedures, and techniques that can be used in manpower requirements determination and staff needs analysis. The Directors of OMB and OPM should jointly develop a Federal workforce policy and procedures that establishes the respective responsibilities of the Directors and establishes workforce planning as a primary basis for manpower and personnel management decisions in the Government. The Directors of OMB and OPM should jointly develop a special Federal management improvement project, based on the proposed workforce planning policy and procedures, be designed and implemented at selected Federal facilities. This project should be isolated from the traditional impediments to workforce planning, such as the use of personnel ceilings, average grade controls, hiring and promotion freezes, and across-the-board budget adjustments. It should have its objectives clearly established, have an evaluation plan, and be properly funded and staffed.

Agency Comments/Action

OMB and OPM acknowledged the importance of workforce planning. However, they expressed reservations about a Federal policy, procedures, and an insulated test of a workforce planning system as recommended. Both made reference to the new FTE ceiling system as a step in the direction GAO was seeking. GAO agrees that the FTE system is an improvement over the EOY system, but disagrees that it will significantly elevate the level of workforce planning activity. To date no action has been taken by OMB and OPM on the GAO recommendations.

Appropriations

Salaries and expenses - Government-wide

Appropriations Committee Issues

The Committees should monitor improvement of Federal workforce productivity and promotion of informed management decisions regarding staffing levels and workforce needs.

OFFICE OF PERSONNEL MANAGEMENT

Voluntary Early Retirements in the Civil Service Too Often Misused (FPCD-81-8, 12-31-80)

Budget Function: General Government: Central Personnel Management (0805)
Legislative Authority: Civil Service Reform Act of 1978.

Under the civil service retirement system, employees with 30 years' service can elect to retire at age 55. In certain circumstances, they can voluntarily retire earlier. Early retirements were meant to open up jobs for younger employees who would otherwise be dismissed during agency reductions or reorganizations.

Findings/Conclusions: The Office of Personnel Management (OPM) is permitting too many employees to retire earlier than they normally could. Such retirements may be appropriate if they prevent younger employees from being laid off, but usually this is not the case. GAO found that: (1) agencies are not considering and exhausting other management techniques for solving staffing problems before turning to the early retirement program; (2) early retirements are not restrictive enough to insure a high probability of job savings; and (3) under the current program employees can retire early even though none of an agency's employees are facing involuntary separation. In some cases, agencies' estimates of the impact of reductions were poorly documented and proved to far exceed the eventual outcome. Early retirements in these agencies resulted primarily in new hiring, not job savings. GAO found a tendency for agencies to overstate the benefits derived from early retirement authorizations. GAO estimates that early retirements cost at least $109 million in fiscal year 1980. OPM has begun to examine more closely agency requests for early retirement authorizations. However, its basic criteria for approval remain unchanged.

Recommendations: Congress should repeal the early retirement provisions included in the Civil Service Reform Act and mandate that OPM establish controls necessary to insure itself that before an early retirement authorization is granted it would (1) correct staffing difficulties which could otherwise only be corrected by a reduction in force and (2) save other employees' jobs.

Agency Comments/Action

OPM disagreed with the GAO proposed change in the law, citing that, in the context of time, it was too soon to judge the merits of the new early retirement provision. OPM did, however, administratively discontinue its automatic approval process and begin scrutinizing agency requests for early retirement authorizations. No doubt this contributed significantly to the reduction in the number of subsequent early retirement authorizations. Subsequent authorizations were also more restrictive.

Appropriations

Salaries and expenses - Office of Personnel Management

Appropriations Committee Issues

Early retirements add substantially to the cost of the civil service retirement system, and in some instances, they may have been used inappropriately.

OFFICE OF PERSONNEL MANAGEMENT

Ways To Improve Federal Management and Use of Productivity Based Reward Systems (FPCD-81-24, 12-31-80)

Budget Function: General Government: Central Personnel Management (0805)

GAO studied the concept of reward systems based on productivity standards to identify ways by which Federal workforce productivity can be improved.

Findings/Conclusions: GAO found that: (1) productivity-based reward systems have had positive effects on productivity in certain work situations, and there seems to be potential for greater use of the concept in the Federal Government; (2) current Office of Personnel Management (OPM) guidance on incentive awards for Federal employees does not adequately cover productivity-based reward systems; and (3) some of the Federal agency initiatives do not include key features of well designed productivity-based reward systems, while others include features or have had experience that could be helpful to the design and operation of other agencies' systems.

Recommendations: The Director of the Office of Personnel Management should (1) develop additional Federal Personnel Manual incentive guidance specifically for productivity-based reward systems so Federal agencies will be aware of the opportunity to establish these systems and the limitations on their use; (2) prepare a handbook of instructions describing key steps, principles, and features of productivity-based reward systems to help Federal agencies design, implement, and manage their initiatives; and (3) identify and analyze ongoing Federal agency productivity-based reward systems to be able to provide assistance where needed and highlight certain useful features and experiences.

Agency Comments/Action

OPM agreed to follow through with the recommendations. or plans on finding ways to improve Federal management and use of productivity based reward systems.

Appropriations

Salaries and expenses - Office of Personnel Management

Appropriations Committee Issues

The Committees should consider the issue of improving Federal workforce productivity.

OFFICE OF PERSONNEL MANAGEMENT

Changes Needed in Calculation of Reduction in Civil Service Annuities for Survivor Benefits (FPCD-81-35, 2-26-81)

Budget Function: General Government: Central Personnel Management (0805)
Legislative Authority: 5 U.S.C. 8339. 5 U.S.C. 8340.

GAO reviewed the method used by the Office of Personnel Management (OPM) to reduce the civil service annuities of retired Federal employees who have elected survivor benefits for their spouses. Specifically, its objectives were to evaluate the OPM method of calculating the survivor benefit reduction when applying cost-of-living adjustments and to determine what the effects would be if the method were changed.

Findings/Conclusions: When they retire, Federal employees may elect that, upon their death, an annuity will also be payable to a surviving spouse. The applicable law specifies that, for this coverage, the retiree's full annuity is reduced by specific percentages stated in the law. If a retiree's marriage ends by death or divorce, survivor coverage also ends and the annuity is increased to its full amount. Cost-of-living increases apply to all annuities payable from the fund, but the law authorizing them does not specifically state whether they are to be applied to the reduced annuities or the unreduced annuities. OPM has elected to apply the increases to the reduced annuities, which results in a higher cost to the Government. OPM calculates the reduced annuity only once for an individual at the time he or she retires and elects survivor coverage. Thereafter, the reduced annuity is adjusted by semiannual cost-of-living increases. This creates a situation where, for identical survivor benefits, new retirees pay more than earlier retirees who subsequently received cost-of-living increases. GAO believes that a more equitable method would be to recalculate the annuity reduction each time there is a cost-of-living increase. If a marriage ends, OPM recomputes and restores the full annuity. In addition, it maintains a record from that time forward of the adjusted reduced annuity and survivor benefits payable in case the retiree remarries. This procedure preserves the potential for inequity among single retirees in the event of their subsequent remarriage and should be changed.

Recommendations: The Acting Director, OPM, should determine reduced annuities for survivor coverage by first adjusting the full annuities for cost-of-living increases and then applying the reduction formula. The Acting Director, OPM, should propose a change to section 5 U.S.C. 8339 so that upon remarriage a retiree's survior reduction would be determined according to the reduction formula applicable to other retirees. The Acting Director, OPM, should change the method of reestablishing full annuities in cases of marriage dissolution to the method described in this report.

Agency Comments/Action

OPM did not agree and has taken no action on this matter.

Appropriations

Personnel salaries and expenses - Office of Personnel Management

Appropriations Committee Issues

The Committees should consider the issues of paying civil service annuitants in an equitable manner and reducing the cost of the civil service annuitant fund.

OFFICE OF PERSONNEL MANAGEMENT

Federal Merit Pay: Important Concerns Need Attention (FPCD-81-9, 3-3-81)

Budget Function: General Government: Central Personnel Management (0805)
Legislative Authority: Civil Service Reform Act of 1978. Classification Act. Federal Salary Reform Act of 1962. Federal Pay Comparability Act of 1970. Performance Rating Act of 1950.

The progress made by the Federal Government in implementing merit pay under the Federal Merit Pay Program was discussed. A review was initiated to determine if agencies will be adequately prepared to make merit pay determinations by October 1981.

Findings/Conclusions: Many Federal agencies may not be prepared by the October deadline to make determinations concerning merit pay as set out in the Civil Service Reform Act of 1978. Most Federal officials have not had any previous merit pay experience, and agencies have not developed methods to measure how much it is costing to implement merit pay or whether merit pay will improve agency performance. If these problems are not considered, the Federal Merit Pay Program will be no more successful than previous attempts to base pay on performance. Various non-Federal agencies were observed to determine the best course of action concerning the implementation procedures needed for this program. It was found that agencies either had previous experience with merit pay systems or spent several years pretesting their systems before actually implementing them. Many Federal agencies do not plan to pretest their systems, and those who do plan to pretest intend only to pretest for a few months. Also, many agencies will not have sufficient time to conduct thorough training sessions. Federal managers must also become committed to the effort needed to make the merit pay system work smoothly.

Recommendations: The Director of the Office of Personnel Management (OPM) should take a stronger role in encouraging agencies to develop additional training courses and other programs designed to increase managerial skills and gain employee acceptance of pay-for-performance systems. The Director of OPM should (1) require Federal agencies to define the objectives of their merit pay plans in more specific terms and develop evaluation strategies, using these objectives, to monitor operations of the merit pay plans; and (2) provide more detailed cost information to Congress on the implementation of the merit pay program. To do this, OPM will have to provide agencies with a comprehensive list of items for determining the cost of implementing merit pay and issue more detailed guidance on coverage so that agency heads and employee associations will have a more clear-cut idea of those employees that should or should not be covered by merit pay. The Director of OPM should establish minimum pretest criteria which agencies must successfully meet before making initial merit pay determinations. Extensions should be afforded to those agencies unable to complete pretesting activities successfully by October 1981.

Agency Comments/Action

OPM agreed in principle with the GAO recommendations. The remedies it proposed for correcting deficiencies were non-specific.

Appropriations

Salaries and expenses - Various agencies

Appropriations Committee Issues

Basing Federal pay on performance may take years to implement efficiently and effectively.

The Financial Disclosure Process of the Legislative Branch Can Be Improved (FPCD-81-20, 3-4-81)

Budget Function: General Government (0800)
Legislative Authority: Ethics in Government Act of 1978 (P.L. 95-521). Election Campaign Act of 1971 (Federal). S. Rule 42. H.R. 7401 (95th Cong.). S. 495 (95th Cong.). S. 555 (95th Cong.). S. Rept. 95-639.

The Ethics in Government Act of 1978 was enacted to require public financial disclosure of Members of Congress and other high-level officials in all three branches of Government. The House Committee on Standards of Official Conduct and the Senate Select Committee on Ethics are responsible for implementing and administering the requirements of the Act. Under the Act, GAO is required to review and comment on whether disclosure requirements have been effectively implemented and whether audits for completeness and accuracy of disclosure reports should be performed. Accordingly, GAO reviewed the House and Senate financial disclosure activities for the 1979 and 1980 calendar year filing requirements.

Findings/Conclusions: The Ethics Committees have no formal written procedures prescribing how the systems should operate and no clear delineation of responsibilities to guide them in effectively implementing and administering the Act. Neither Committee periodically checks to ensure that legislative branch agencies are properly identifying all individuals required to file. Although compliance is a problem for candidates, neither Committee has created an effective system to obtain reports from nonfilers in a timely manner, nor are they effectively reviewing the disclosure reports to see that they are in proper form and comply with the disclosure provisions of the Act. While the Act authorizes the Attorney General to bring a civil action against any nonfiler, the Committees have not taken action to refer nonfilers for prosecution. The Act provides that a reporting individual need not report the holdings of or the source of income from the holdings of a qualified blind trust. Both Committees have approved trust arrangements where some of the trust instruments and trustees did not appear to meet the trust standards of the Act. Neither Committee monitors the administration of a qualified blind trust after it has been approved. The Act also requires that a copy of each disclosure report filed by congressional Members and candidates be sent to their States so that the report can be inspected by their constituents. Few requests are made for these reports, and States' practices vary widely as to maintenance, use restrictions, and disposition of reports.

Recommendations: Congress should establish (1) a system that will monitor requests for and receipts of amended reports, and (2) timeframes for when an amended report should be filed. Congress should (1) monitor the appointment of new employees required to file so that the committee can observe filing compliance for these individuals; and (2) notify Senators who must designate a principal assistant when they do not have an employee equivalent to a GS-16 or above on their staffs. Congress should follow up to ensure that individuals requested to amend their reports comply in a timely fashion. Congress should, if audits are made an integral part of the congressional disclosure process, develop procedures to ensure that amendments to disclosure reports, required as a result of audits, are made promptly and included with the individual's original financial report. Congress should, after sending the proper dunning notices to delinquent filers, refer nonfilers to the House Members for decision to refer them to the Attorney General. Congress should (1) develop formal procedures and requirements for approval of a proposed trust and its trustee(s); and (2) establish procedures for monitoring and enforcing the qualified blind trust requirements set forth in the law. Congress should assume the enforcement initiative, after sending the proper dunning notices to delinquent filers, by referring to the Attorney General, in a timely fashion, all individuals who have failed to file disclosure reports. Congress should (1) inform the House and Senate support organizations of the information needed to monitor filing compliance and specify the frequency when such information is needed; (2) regularly monitor all nonfilers and establish a policy that specifies the actions that should be taken against nonfilers; (3) develop detailed guidelines to assist Committee staff when reviewing reports for completeness and accuracy; and (4) require all candidates, including candidates who lose a primary election, to promptly file disclosure reports. Congress should institute the requirement for random audits of financial disclosure reports. If Congress elects to subject only Members of Congress and congressional employees to an audit requirement, both the House and Senate should adopt an appropriate rule. If the audit requirement also applies to legislative branch agency employees and congressional candidates, the law will have to be amended to require compliance by these individuals. Congress should (1) develop formal written criteria to assist Members in designating principal assistants subject to potential conflicts of interest; and (2) periodically evaluate legislative branch agencies' identification of filers (including experts and consultants).

Appropriations

Government ethics - Legislative

Appropriations Committee Issues

The Committees should consider the promotion of ethical conduct in the Government.

OFFICE OF PERSONNEL MANAGEMENT

Federal Employees Excluded From Certain Provisions of Civil Service Reform Act of 1978 (FPCD-81-28, 4-7-81)

Budget Function: General Government: Central Personnel Management (0805)
Legislative Authority: Civil Service Reform Act of 1978 (P.L. 95-454; 5 U.S.C. 2302).

The Civil Service Reform Act protects most Government employees from specified prohibited personnel practices such as discrimination, political coercion, and reprisals; however, this protection does not apply to employees in Government corporations. According to the Merit Systems Protection Board's Office of the Special Counsel, there have been many complaints of personnel abuse within Government corporations. A review was performed to determine the justification for excluding all Government corporations from the provisions of the Act.

Findings/Conclusions: According to the Office of the Special Counsel, it is not clear whether all corporations are excluded from the provisions of the Act. GAO contacted 13 Government corporations which have employees in competitive service positions and are required to follow other civil service laws and regulations but are excluded from the protections afforded by the Act. Eight of the corporations stated that they assumed that the provisions applied to them. All but one of the corporations believed that their employees should be entitled to the protections that other Federal employees have. GAO believes that there is no justification for excluding certain Government corporations from the prohibited personnel practices provisions.

Recommendations: Congress should amend 5 U.S.C. 2302(a)(2)(C)(i) by deleting the term "Government corporation" and inserting instead the following: "...Government corporations exempted from civil service laws and regulations governing the appointment and removal of officers and employees of the United States."

Appropriations

Salaries and expenses - Office of Personnel Management

Appropriations Committee Issues

The Committees should consider the fact that the Civil Service Reform Act does not protect certain Federal employees from prohibited personnel practices such as discrimination, political coercion, and reprisals.

OFFICE OF PERSONNEL MANAGEMENT

Federal Grievance Arbitration Practices Need More Management Attention

(FPCD-81-23, 5-5-81)

Budget Function: General Government: Central Personnel Management (0805)
Legislative Authority: Civil Service Reform Act of 1978 (P.L. 95-454). Back Pay Act (5 U.S.C. 5596(b)). Executive Order 11491. Reorg. Plan No. 2 of 1978. 5 U.S.C. 71.

With the recent expansion of the Federal labor-management relations program, arbitration has become an important procedure for adjudicating employee grievances. The Civil Service Reform Act of 1978 effected collective bargaining and arbitration in the Federal sector. It expanded the scope of issues subject to the negotiated grievance procedures and mandated that grievance arbitration be binding. GAO undertook a study to assess the efficiency of agencies' grievance arbitration procedures, including the use of arbitrators under the Act, and to identify areas needing improvements.

Findings/Conclusions: The agencies and activities reviewed have not developed formal, systematic methods for monitoring and evaluating their grievance arbitration systems. The activities do not collect the information needed to perform the monitoring functions. As a result, labor-management representatives do not know the number of formal grievances that have been filed and cannot effectively determine which activities are having problems. The agencies need to account for their grievance arbitration costs to help prevent wasteful expenditures and to better manage their grievance arbitration processes. A number of grievance arbitration procedures currently used in the private sector, which can help reduce costs and timeframes, could be used more often in the Federal sector. The Office of Personnel Management (OPM) needs this cost information to monitor agencies' efficiency and, where appropriate, to provide technical assistance. Available training courses do not emphasize the cost-effective practices which can be put to use in the grievance arbitration process. The quality of arbitration decisions can be enhanced if Federal parties select arbitrators from the Federal Mediation and Conciliation Service (FMCS) Federal arbitrator roster. The increasing number of Federal arbitrations requires an expanded Federal sector roster. Because the joint guidelines for labor relations are generally not being followed by agencies, OPM needs to take aggressive steps to assure compliance.

Recommendations: The Director of OPM should work with the Director of FMCS to: (1) expand the FMCS roster of qualified Federal sector arbitrators; and (2) encourage agencies to routinely request Federal sector arbitrator panels from the FMCS Federal arbitrator roster. The Director of OPM should provide guidance and technical assistance to agencies and management personnel on cost-effective grievance arbitration procedures. The Director of OPM should require agencies to monitor and evaluate their grievance arbitration processes. OPM should provide technical assistance and guidance to help agencies meet this requirement. The Director of OPM should require agencies to account for the total costs associated with the grievance arbitration process and to report annually to OPM on these costs. This annual report should include the number of formal grievances filed, number of grievances going to arbitration, arbitration-related costs, and management-related costs. The Director of OPM should encourage agencies to: (1) attempt negotiating expedited arbitration and consolidated or representative grievance procedures into subsequent labor agreements; (2) use permanent arbitrator panels or permanent umpires for binding grievance resolution; and (3) limit the use of arbitration hearing transcripts and post-hearing briefs. The Director of OPM should require agencies to assess their current labor relations training programs, determine their training needs, and provide needed training, especially in the areas of cost-effective grievance arbitration practices. OPM should periodically follow up with agencies to insure compliance. The Director should emphasize to agencies the importance that they should give labor relations training under the requirements of the Civil Service Reform Act.

Agency Comments/Action

OPM agreed with the recommendations and will promote the program of training practitioners in arbitration issues and in the process itself, including the considerations and benefits involved in expedited procedures.

Appropriations

Salaries and expenses - Office of Personnel Management

Appropriations Committee Issues

The Committees should consider implementing better and more cost-effective grievance arbitration practices in the Federal sector.

OFFICE OF PERSONNEL MANAGEMENT

Cost of Increased Retirement Benefits for Panama Canal Employees (FPCD-81-42, 5-6-81)

Budget Function: Income Security: Federal Employee Retirement and Disability (0602)
Legislative Authority: Panama Canal Act of 1979. P.L. 96-70.

GAO was asked to provide information on the appropriateness of the Office of Personnel Management (OPM) cost determination as related to the increased retirement benefits granted to Panama Canal employees by legislation implementing the Panama Canal Treaty. In a previous report, GAO expressed concern that, unless OPM charged the Panama Canal Commission on a basis which considered future pay and cost-of-living increases, all costs of increased benefits would not be recovered as was the intent of Congress. OPM subsequently completed its cost calculations, and the Commission has paid the first installment on the increased retirement costs.

Findings/Conclusions: GAO is still concerned that OPM is basing its charges to the Commission on an actuarial method which assumes that Panama Canal employees will never receive pay increases or retirement cost-of-living adjustments. Because both pay increases and cost-of-living adjustments will add significantly to the ultimate cost, American taxpayers will be subsidizing the cost of the increased benefits by more than $200 million if OPM continues to use this method. OPM estimated the cost of increased benefits under both static and dynamic economic assumptions. The static cost estimate assumed a 5-percent rate of interest. The dynamic estimate assumed a 7-percent rate of interest, and annual pay and cost-of-living annuity adjustments of 6.5 percent and 6 percent, respectively. GAO believes that the static estimate misrepresents the total cost of the increased benefits and concurs with the actuarial methods and economic assumptions used by OPM to develop the dynamic cost estimate. Although OPM has developed a dynamic estimate, the agency believes that, to be consistent with current financing practices of the civil service retirement system, it should charge the Panama Canal Commission on a static cost basis until the law is changed to require funding of the entire retirement system on a dynamic cost basis. GAO believes that the Panama Canal Act provides that OPM charge the Commission for costs of the increased benefits estimated on a dynamic cost basis.

Recommendations: The Director of OPM should charge the Panama Canal Commission on the basis of the current dynamic cost estimate of $377.3 million. OPM should periodically review the cost estimate to determine whether the economic assumptions and other actuarial factors used need revision and, if so, to adjust the billing accordingly.

Appropriations

Salaries and expenses - Office of Personnel Management

Appropriations Committee Issues

The Committees should be concerned with recognizing the full cost of Federal retirement.

OFFICE OF PERSONNEL MANAGEMENT

Cost-of-Living Allowances for Federal Employees in Nonforeign Areas Should Be Based on Spendable Income (FPCD-81-48, 5-13-81)

Budget Function: General Government: Central Personnel Management (0805)
Legislative Authority: S. 838 (97th Cong.).

The purpose of a cost-of-living allowance is to enable a Federal employee in a nonforeign area to maintain purchasing power similar to that of a comparable Federal employee in Washington, D.C. In a May 1979 report to the President, the Office of Personnel Management (OPM) recognized the reasons for adopting spendable income as the base for cost-of-living allowances but did not propose this change. Instead, it favored eliminating the program. In June 1979, President Carter proposed locality pay rates as part of his pay reform proposal for all General Schedule employees. This proposal would have replaced the cost-of-living allowance program with locality pay rates, but the legislation expired without congressional action. President Reagan's pay reform proposal would empower the President to designate pay areas, establish locality rates of pay for General Schedule employees, and eliminate the nonforeign area cost-of-living allowance program.

Findings/Conclusions: By applying the cost-of-living allowance rates to base pay, employees are compensated for items that are not living costs such as income taxes, retirement, life insurance, savings, and charitable contributions. Federal employees receiving the same basic pay incur essentially the same cost for these items, regardless of their place of employment. Paying cost-of-living allowances as a percentage of base pay overcompensates employees in the nonforeign areas by about $41.4 million annually. In Alaska, private sector salaries are substantially higher than salaries in the 48 contiguous States, and the Government already pays special higher rates to a few occupation groups to recruit and retain well-qualified personnel. Adopting spendable income as the base for cost-of-living allowances would reduce payments in Alaska; however, that money may have to be added to special pay rates for all or nearly all employees in Alaska to recruit and retain personnel. This problem should not arise in other nonforeign areas, because Federal salaries there generally are competitive with private sector pay. As long as the nonforeign cost-of-living allowance remains in effect, GAO believes it should be based on spendable income rather than base pay. This change would make the cost-of-living allowance consistent with cost-of-living programs administered by the Departments of Defense and State, eliminate allowances for expenses which are not related to place of employment, and save at least $23.2 million annually.

Recommendations: The Director of the Office of Personnel Management should base cost-of-living allowance payments on a percentage of spendable income, recognizing the number of dependents and salary level of the employees affected.

Agency Comments/Action

OPM declined to act at this time saying that the preferred solution would be for Congress to act on the pay reform legislation previously submitted.

Appropriations

Salaries and expenses - Various agencies

Appropriations Committee Issues

The Committees should determine whether the improved administration of the cost-of-living allowance in nonforeign areas would save the Government millions of salary expenditure dollars and better achieve the legislative intent of the program.

OFFICE OF PERSONNEL MANAGEMENT

Personnel Conversions During Presidential Transition: Improved Monitoring Needed (FPCD-81-51, 5-27-81)

Budget Function: General Government: Central Personnel Management (0805)
Legislative Authority: Civil Service Reform Act of 1978. F.P.M. Bull. 273-18.

The Office of Personnel Management (OPM) investigated 43 personnel conversions processed during the recently completed Presidential transition period. OPM reviewed conversions at three agencies, and GAO subsequently reviewed conversions at four other agencies. As used in this report, conversion refers to the process in which an employee is converted from a position in the excepted service to a position in the competitive service. Excepted employees may be removed at the discretion of the Administration because they are not covered by the regulations governing the competitive service. However, employees in the competitive service are protected by laws and regulations which prohibit any personnel action based on factors other than job performance.

Findings/Conclusions: OPM officials stated that they did not know the total number of conversions from excepted to competitive positions during the transition period because many personnel actions were approved at the agency level without OPM review. However, the OPM and GAO investigations indicated that the transition period triggered a number of attempts to improperly convert excepted service employees. The OPM finding that 30 percent of the 43 conversion cases it reviewed were improper suggested that during transition other agencies may be improperly converting employees. The OPM plans to require weekly reports on conversion actions during the transition period would have certainly enabled it to better oversee Government-wide conversion activity. GAO believes that highly visible procedures for monitoring conversion actions would have been very useful during the transition period.

Recommendations: The Director of OPM should (1) require agencies to report to OPM the total number of conversions from excepted to competitive positions made during the 1980 transition period; (2) review these conversions, as appropriate, to insure that the actions were proper; and (3) provide, during future transition periods, more comprehensive monitoring of the conversions of excepted employees to competitive positions.

Agency Comments/Action

OPM generally agreed with the recommendations and stated that it would continue to monitor conversions from excepted to competitive positions. However, they indicated that consideration would be given to have agencies prepare weekly reports on conversion activities during future transition periods.

Appropriations

Salaries and expenses - Most Federal agencies

Appropriations Committee Issues

The Committees should consider the prohibition of improper personnel practices in the Federal Civil Service.

OFFICE OF PERSONNEL MANAGEMENT

Federal Pay-Setting Surveys Could Be Performed More Efficiently (FPCD-81-50, 6-23-81)

Budget Function: General Government: Central Personnel Management (0805)
Legislative Authority: Pay Comparability Act of 1970 (Federal) (5 U.S.C. 5305). Prevailing Rate Systems Act of 1972.

GAO was requested to review certain aspects of Federal wage and salary surveys and to identify more efficient alternatives.

Findings/Conclusions: The Federal Government spends a great deal of time and money surveying the non-Federal sector for wage and salary information. Some of this effort is repetitious and unnecessary. Of the many surveys done each year, GAO identified three that could be combined with other surveys, could be done less frequently, or could be replaced with other satisfactory information: (1) the Federal Wage System Appropriated Fund Survey; (2) the Federal Wage System Nonappropriated Fund Survey; and (3) the Bureau of Labor Statistics (BLS) Professional, Administrative, Technical, and Clerical Survey. Presently, the BLS annual survey to set Federal white-collar pay costs $2.3 million a year and is used to determine comparability of the current salaries of private sector jobs with the salaries of comparable Federal jobs. However, the survey is largely an unproductive effort since Presidents have seldom used its results. Thus, GAO believes that the BLS white collar survey can be done less often.

Recommendations: Congress should direct OPM, in coordination with DOD, to study the feasibility of having BLS do the nonappropriated fund surveys or linking or indexing nonappropriated fund wages to the FWS appropriated fund pay system. Congress should amend the Federal Pay Comparability Act of 1970 (5 U.S.C. 5305) to eliminate the requirement to conduct the comparability survey each year and to provide for interim-year pay adjustments by using the BLS Employment Cost Index. Congress should amend the Prevailing Rate Systems Act of 1972 making BLS responsible for conducting the blue-collar appropriated fund surveys as part of its area wage survey programs.

Agency Comments/Action

The Office of Management and Budget and the National Aeronautics and Space Administration generally agreed with the recommendations. The Department of Defense, the Veterans Administration, and the Office of Personnel Management agreed with the intent of the recommendations to eliminate duplication and reduce the burden on the private sector but stated that detailed survey information is needed to thoroughly analyze blue and white-collar wage data.

Appropriations

Salaries and expenses - Most Federal agencies

Appropriations Committee Issues

The Committees should consider more efficient and cost-effective practices for setting Federal pay.

OFFICE OF PERSONNEL MANAGEMENT

Action Needed To Eliminate Delays in Processing Civil Service Retirement Claims (FPCD-81-40, 7-20-81)

Budget Function: General Government: Central Personnel Management (0805)

For the past 4 years, the Office of Personnel Management (OPM) has not met its performance standards of 35 days for acceptable retirement claims settlement. In January 1981, OPM was taking an average of 98 days to settle retirement claims. Claims from survivors of deceased annuitants and deceased employees were taking even longer. OPM officials initiated several actions to improve the claims processing operation. They developed a means of identifying workforce requirements, detailed for 90 days former claims examiners who settled about 9,000 claims, recruited 113 additional claims examiners, and refined the claims settlement process. Without these actions, settlement times would be much longer.

Findings/Conclusions: Even with the expanded workforce and current settlement process, GAO estimates that OPM will need 2.5 more years to eliminate the backlog of claims and reach its 35-day processing standard. GAO found the primary cause of the lengthy delays in settling retirement claims to be the failure by OPM to maintain a sufficient and experienced workforce. Other causes were a cumbersome claims process and incomplete and inaccurate records submitted by employing agencies. OPM has no standards for measuring the productivity of its examiners. The current workforce planning process of OPM is not based on achieving the OPM standard for an acceptable level of service to retirees. Had OPM based its plans on meeting the acceptable standard, it would have recognized the need to take corrective action. Before 1980, regardless of complexity, all claims moved through the same processing steps, and OPM made no effort to identify claims that could be processed faster than others. Approximately 25 percent of retirement claims could be settled by abbreviated processing. OPM cannot complete its claims settlement process until it receives complete and accurate records from agencies. Approximately 10 percent of all records submitted by agencies are inaccurate or incomplete, and correcting these deficiencies can extend OPM settlement times by more than 70 days. The current manual claims process needs to be automated; however, OPM has not developed a long-term plan for automating the retirement process.

Recommendations: The Director of OPM should: (1) apply additional resources to claims settlement to more quickly eliminate the backlog and achieve the 35-day processing standard; (2) develop a workforce plan based on maintaining 35-day processing times; (3) develop productivity measurements and use them to hold employees and managers accountable for their performance; (4) evaluate periodically the timeliness, completeness, and accuracy of records submitted by employing agencies and inform them of their performance deficiencies; and (5) develop a long-term plan for automating the retirement claims process which will insure that settling claims entails less manual effort.

Agency Comments/Action

Agency comments were not received as of September 30, 1981.

Appropriations

Salaries and expenses - Various agencies

OFFICE OF PERSONNEL MANAGEMENT

Evaluations Called for To Monitor and Assess Executive Appraisal Systems (FPCD-81-55, 8-3-81)

Budget Function: General Government: Central Personnel Management (0805)
Legislative Authority: Civil Service Reform Act of 1978.

GAO reviewed the Senior Executive Service (SES) performance appraisal system. The appraisal process is intended to evaluate the performance of senior executives and provide a basis for making many executive personnel decisions, including monetary performance awards, development, advancement, and dismissals. GAO stated that, while it is too early to judge the overall effectiveness of the SES appraisal systems, it wanted to identify existing or potential problems so that agencies and the Office of Personnel Management can take corrective action.

Findings/Conclusions: GAO stated that non-Federal experience shows that pretesting, user training, evaluation of systems, and several years of development are important steps to implementing successful performance appraisal systems. Since many agencies did not follow these steps in implementing their SES systems, the first few years in operation will be experimental. As a result, agencies need to develop and implement formal evaluation systems to monitor and assess the effectiveness of their SES performance appraisal processes to insure that they are valid, fair, and objective. GAO concluded that, unless a reliable and timely method exists for evaluating and monitoring appraisal systems, areas which need improvement cannot be effectively identified.

Recommendations: The OPM Director should: (1) require agencies to establish and implement comprehensive evaluation and monitoring systems for their SES performance appraisal processes; (2) issue minimum standards and requirements which should be included in all evaluation systems implemented by agencies; (3) provide guidelines to agencies on how to establish and implement an effective evaluation process; and (4) follow up with agencies to insure that evaluation systems are being properly and effectively implemented.

Agency Comments/Action

Agency comments were not available as of September 30, 1981.

Appropriations

Salaries and expenses - Various agencies

OFFICE OF PERSONNEL MANAGEMENT

Federal Life Insurance Changes Would Improve Benefits and Decrease Costs (FPCD-81-47, 8-21-81)

Budget Function: General Government: Central Personnel Management (0805)
Legislative Authority: Federal Employees' Group Life Insurance Act of 1980 (P.L. 96-427). Federal Employees' Group Life Insurance Act of 1954 (P.L. 83-598).

GAO was requested to assess certain aspects of the Federal Employees' Group Life Insurance program. The objectives of the review were to evaluate alternatives for improving post-retirement life insurance benefits, to evaluate a change proposed in an earlier GAO report, and to obtain current data on payment of risk charges.

Findings/Conclusions: Although the Federal Employees' Group Life Insurance Act of 1980 added provisions to improve post-age 65 benefits, GAO found significant shortcomings in these provisions. The single premium rate which the Office of Personnel Management established for each of these options is inequitable and does not reflect mortality risks. This program also requires younger retirees to pay premiums without being provided any additional benefits until age 65. Changing Group Life by adding a modified supplemental post-age 65 insurance election for new hires cannot be provided without a premium increase, even with continuing contributions until death, and it may not attract enough participants to make it a viable part of Group Life since no benefits would be derived from higher premiums until after age 65. Although this option could be less costly in the long term than the current option providing no reduction of post-retirement coverage, GAO believes that equity with non-Federal programs justifies correlating benefits with length of program participation and increasing Group Life coverage for post-age 65 retirees. Correlating post-retirement benefits with length of program participation and increasing the minimum post-age 65 coverage to 50 percent, for employees with 30 or more years of service, is more desirable. Such a change would: (1) not require any increase in premiums; (2) eliminate certain program inequities; and (3) make post-retirement benefits more comparable with non-Federal employee insurance plans.

Recommendations: Congress should amend the Federal Employees' Group Life Insurance Act to: (1) increase the minimum post-age 65 coverage to 50 percent of the coverage at retirement and correlate post-retirement benefits with length of participation in Group Life program; and (2) rescind the requirement that Group Life pay insurance company risk charges.

Agency Comments/Action

Agency comments had not been received as of September 30, 1981.

Appropriations

Salaries and expenses - Various agencies

OFFICE OF PERSONNEL MANAGEMENT

Serious Problems Need To Be Corrected Before Federal Merit Pay Goes Into Effect (FPCD-81-73, 9-11-81)

Budget Function: General Government: Central Personnel Management (0805)
Legislative Authority: Civil Service Reform Act of 1978 (P.L. 95-454). 5 U.S.C. 4304.

GAO reviewed the Federal agencies' progress in implementing the performance appraisal and merit pay provisions of the Civil Service Reform Act.

Findings/Conclusions: GAO is concerned about the Federal agencies' readiness to make sound merit pay decisions. The decentralized, nonprescriptive approach of the Office of Personnel Management (OPM) is not providing the leadership that is needed to insure quality merit pay programs. Its nonprescriptive approach has resulted in guidelines to agencies that are not timely or definitive enough to insure that effective pay-for-performance systems will be developed. OPM has emphasized reviewing and approving agencies' performance appraisal and merit pay plans for compliance with the law, but not assessing the quality of these systems or assuring that they operate properly. In addition, many agencies are not pretesting their systems to identify and correct problems early. The review points out that problems with merit pay implementation could cause program failure unless immediate action is taken. GAO believes that merit pay implementation should be delayed until agencies are ready to make sound decisions based on performance and urges OPM to revise its formula to comply with the law.

Recommendations: Congress should enact an appropriation restriction in a fiscal year 1982 appropriations act. This restriction would prohibit agencies from making merit payouts beginning in October 1981 if they have not pretested their entire performance appraisal and merit pay systems or complied with OPM guidelines. The Director of OPM should require all agencies to comply with OPM guidelines on defining levels of performance before a payout is made. The Director of OPM should more clearly define which employees are to be included in the merit pay program. The Director of OPM should require agencies to pretest their entire pay-for-performance systems, from standard-setting to appraisal and merit payouts, before making actual payouts. The Director of OPM should petition the President to grant exclusions from the October 1981 merit pay deadline to those agencies that have not pretested their entire performance appraisal and merit pay systems and those agencies that do not comply with OPM guidelines. The Director of OPM should certify, after reviewing an agency's pretest, that the agency does fairly and accurately link pay to performance. The Director of OPM should require agencies to insure employee participation in developing performance standards that address the most important elements of the employee's job in both qualitative and quantitative terms. The Director of OPM should insure that agencies use performance standards that have been agreed to by the supervisor and employee at the beginning of the appraisal period as the basis for performance evaluations as mandated by the Reform Act. The Director should require those managers responsible for reviewing performance appraisals to also review and approve performance standards early in the appraisal period. The Director of OPM should require agencies to have performance standards in place a minimum of 120 days before making pay decisions based on those standards. On the basis of the OPM petition, the President should exclude from the October 1981 mandatory merit pay implementation date those agencies that have not pretested their entire performance appraisal and merit pay systems and those agencies whose systems do not comply with OPM guidelines and General Counsel opinion. This will enable OPM to require agencies to pretest their entire pay-for-performance systems before making actual merit payouts and to give agencies time to make their performance appraisal systems comply with OPM guidelines and the General Counsel opinion. The Director of OPM should revise the merit pay computation formula to insure that payroll costs under merit pay do not exceed what would have been paid had the General Schedule pay system remained in place for merit pay employees. The Director of OPM should develop a 1981 merit pay computation formula for those agencies that have already made payouts to adjust for the additional funds used in 1980. The Director of OPM should insure that merit pay funds attributable to employees at the $50,112.50 statutory pay ceiling are not used to reward employees below the ceiling.

Agency Comments/Action

A Comptroller General's decision formalized the change, and OPM reduced funding formula.

Appropriations

Salaries and expenses - Various agencies

OFFICE OF PERSONNEL MANAGEMENT

Tightening Eligibility Standards Could Cut Involuntary Retirement Costs by Millions of Dollars (FPCD-81-71, 9-25-81)

Budget Function: Income Security: Federal Employee Retirement and Disability (0602)
Legislative Authority: Civil Service Reform Act of 1978. P.L. 67-363. P.L. 90-486.

GAO reported on the eligibility standards governing the involuntary retirement program which was established to provide immediate annuities to employees of long service who are involuntarily separated through no fault of their own. Age, service requirements, and benefits are established in law; however, the Office of Personnel Management (OPM), as administrator of the civil service requirement system, is responsible for determining what constitutes an involuntary separation. Originally, involuntary retirements were permitted only for employees subject to reduction-in-force. However, over the years, the OPM implementing policy and instructions have been liberalized. Under current policy, an employee becomes eligible for involuntary retirement when he is merely notified that his position is to be abolished.

Findings/Conclusions: GAO believes that OPM needs to tighten the eligibility criteria for early retirements to avoid unwarranted separations and reduce costs. Hundreds of unwarranted involuntary retirements are occurring because current OPM policy permits employees to decline reasonable offers of other positions and retire early. The involuntary retirement program needs to be restructured to prohibit early retirements when an agency extends to the employee, whose position is to be abolished, a reasonable offer of another position. GAO concluded that restructuring the program would serve a twofold purpose by retaining experienced employees who are retiring prematurely and by reducing outlays from the civil service retirement fund.

Recommendations: The Director, OPM, should disallow involuntary retirements when an agency offers an employee whose position is to be abolished a vacant position within the agency and commuting area for which the employee is fully qualified and when acceptance would not result in an immediate reduction in pay. The Director, OPM, should monitor the retirement program to assure that agencies are making offers to the fullest extent practicable.

Agency Comments/Action

The agency had not provided comments as of October 16, 1981.

Appropriations

Salaries and expenses - Various agencies

OFFICE OF PERSONNEL MANAGEMENT

Actions Needed To Enhance the Credibility of Senior Executive Service Performance Award Programs (FPCD-81-65, 9-30-81)

Budget Function: General Government: Central Personnel Management (0805)
Legislative Authority: Civil Service Reform Act of 1978 (P.L. 95-454; 5 U.S.C. 4312). Supplemental Appropriations Act, 1980.

GAO reviewed the Senior Executive Service (SES) performance and rank awards paid as of June 1981. The objectives of the review were to: (1) gather statistical data on performance and rank awards to determine if agencies were in compliance with the law and with the Office of Personnel Management's (OPM) guidance, (2) assess the validity and effectiveness of methods and criteria that agencies use in making award payments, (3) examine the composition and functioning of agencies' performance review boards, and (4) identify any changes that may be necessary to enhance the award process.

Findings/Conclusions: The agencies reviewed generally appeared to be making reasonable efforts to administer and refine workable performance award systems. Congress, senior executives, and the press have criticized the administration of SES awards. One of the major criticisms has been that upper level executives have received a disproportionately large share of awards. A related criticism has been that factors other than performance have been used to determine performance award recipients. Another criticism has been that the performance review board members, who review and make recommendations on ratings and performance awards, have granted themselves awards. Still another criticism has been that agencies consistently have granted the maximum number of allowable awards. In addition, GAO noted two other issues that needed attention: (1) the desirability of, and purpose served by, including reemployed annuitants in SES, thereby making them eligible for awards; and (2) the methods agencies use in determining the maximum allowable number of performance awards. If SES performance awards are to serve their intended purposes of rewarding outstanding performance and encouraging excellence and higher productivity, it is essential that they be viewed more favorably, particularly by the senior executives themselves. Therefore, GAO believed that the criticisms and issues needed to be addressed.

Recommendations: The Director of OPM should assume responsibility for approving agencies' performance review board policies, procedures, and criteria for performance rating and award recommendations as part of the agencies' performance appraisal systems. Such approval should insure that agencies: (1) use performance, not other factors, as the basis for determining performance ratings and to identify Senior Executive Service members deserving of award; and (2) structure agencies' performance review boards so that members cannot recommend themselves for award. Also, the Director of OPM should: (1) reconsider the award eligibility of reemployed annuitants; (2) clarify the method agencies should use to compute the maximum allowable number of awards that can be paid; (3) study and report to Congress on the optimal number and size of performance awards that should be granted to achieve the objectives for which they are intended; and (4) develop a strong monitoring effort through the OPM data collection system and compliance visits to agencies to help insure that valid statistics on the entire performance rating and award system exist and that performance award systems are creditable and equitable.

Agency Comments/Action

Agency comments were not available as of October 20, 1981.

Appropriations

Salaries and expenses - Various agencies

PANAMA CANAL COMMISSION

Panama Canal Commission Expenditures for Entertainment, Official Residence, and Supervisory Board (ID-81-57, 8-5-81)

Budget Function: International Affairs: Foreign Information and Exchange Activities (0153)
Legislative Authority: Panama Canal Act of 1979 (P.L. 96-70; 93 Stat. 459). Antideficiency Act. 35 Comp. Gen. 306. 35 Comp. Gen. 308. 5 Comp. Gen. 455. 5 Comp. Gen. 456. P.L. 96-400. H. Rept. 96-98. B-199251 (1980). 5 U.S.C. 5913.

In response to a congressional request, GAO audited expenditures made by the Panama Canal Commission for: (1) entertainment; (2) operation and maintenance, including staffing of the official residence provided for the Administrator; and (3) expenses of the Supervisory Board established by the Panama Canal Act.

Findings/Conclusions: GAO found that the costs related to the three activities were scattered throughout the budget and that the Commission believed that the spending limits applied only to certain budget line items and not to related costs in other parts of the budget. In summing the costs, GAO found that the Commission was near violation of the Antideficiency Act with regard to its expenditures from appropriations for expenses of official reception and representation, including entertainment. GAO believed that this situation was related to the difficulty in making the transition from a corporate form to an appropriated fund agency and found no evidence of intent to circumvent the spending limits. GAO also believed that changes made in accounting for the costs of the residence were not adequately disclosed, and GAO disagreed with the rationale for certain of these changes. In assessing performance against the spending limits, the Commission needed to consider all expenditures for related activities rather than specific budget line items or how and where expenditures are recorded. GAO could appreciate how the Commission arrived at its conclusion, but the weight of the past decisions suggested that spending limits apply to the purposes of expenditures, not how the expenditures are budgeted or recorded.

Recommendations: The Chairman of the House Committee on Merchant Marine and Fisheries should request specific detailed analyses from the Panama Canal Commission for costs relating to entertainment, operation and maintenance, and expenses of the Supervisory Board.

Agency Comments/Action

Agency comments were not required.

Appropriations

Operations - Panama Canal Commission

SECURITIES AND EXCHANGE COMMISSION

Impact of Foreign Corrupt Practices Act on U.S. Business (AFMD-81-34, 3-4-81)

Budget Function: Commerce and Housing Credit: Other Advancement and Regulation of Commerce (0376)
Legislative Authority: Foreign Corrupt Practices Act of 1977 (P.L. 95-213). Securities Exchange Act of 1934. S. 2763 (96th Cong.). H.R. 7479 (96th Cong.).

Congress enacted the Foreign Corrupt Practices Act in response to widespread questionable corporate payments. The law, which makes offering payments to foreign officials to obtain or influence business illegal, also contains significant internal accounting control objectives and recordkeeping requirements. GAO solicited information from 250 corporations regarding the Act's impact on corporate activities.

Findings/Conclusions: The Act has brought about efforts to strengthen corporate codes of conduct and systems of internal accounting controls. However, many corporations believe that the cost of complying with the Act exceeds the benefits derived. More than 30 percent of the corporations engaged in foreign business reported that they had lost overseas business as a result of the Act. There is also extensive dissatisfaction with the clarity of the Act's accounting provisions. Increasing the uncertainty over what constitutes compliance with the Act is the controversy over whether the provisions include a materiality standard. The Act's antibribery provisions have also been criticized as being ambiguous. In addition, many corporations believe that they are suffering a competitive disadvantage due to the lack of an international antibribery agreement.

Recommendations: Congress should closely monitor the status of U.S. efforts to reach an international antibribery agreement and that Congress urge the President to actively pursue such an agreement. The Chairman of Securities and Exchange Commission and the Department of Justice should develop alternatives to address the antibribery ambiguities.

Agency Comments/Action

The Commission said it was awaiting the business community response to its January 29, 1981, policy statement on the accounting issues mentioned in the GAO report.

SMALL BUSINESS ADMINISTRATION

What Is a Small Business? The Small Business Administration Needs To Reexamine Its Answer (CED-78-149, 8-9-78)

Budget Function: Commerce and Transportation: Other Advancement and Regulation of Commerce (0403)
Legislative Authority: Small Business Act (15 U.S.C. 632).

The Small Business Administration's (SBA) size standards define which businesses are small and, therefore, eligible for Federal small business assistance programs. SBA regulations state that, since smaller concerns often are forced to compete with middle-sized, as compared with very large concerns, size standards should be established as low as is reasonably possible. Also, these standards should be limited to that segment of each industry that is struggling to become or remain competitive."

Findings/Conclusions: The present loan and procurement size standards for most industries were established 15 or more years ago and have not been reviewed periodically to determine their continuing validity. SBA records do not indicate how size standards established before 1971 were arrived at. Analyses supporting 10 of the 64 standards established since 1971 do not demonstrate that the standards were set in conformance with agency regulations. Because the SBA has not accumulated data on the size of businesses that have bid both successfully and unsuccessfully on set-aside and unrestricted contracts, it does not know the size of firms in many industries which need set-aside protection. The current size standards often define as "small" a high percentage of an industry's businesses. The size standards appear to have little effect on the size of businesses which receive section 7(a) loans.

Recommendations: The Administrator of the SBA should reexamine the standards to ensure that agency assistance is directed where it will best preserve free competitive enterprise and protect the interests of small businesses. This review should include: (1) determining, in accordance with regulations, the size of businesses in each industry that are struggling to become or remain competitive, and (2) by collecting data on the size of bidders on set-aside and unrestricted contracts, determining the size of businesses which need set-aside protection.

Agency Comments/Action

SBA generally agreed with the GAO recommendations and is in the process of establishing new small business size standards.

Appropriations

Operating expenses - Small Business Administration
Salaries and expenses - Small Business Administration

Appropriations Committee Issues

SBA should ensure that size standards, established for many industries and most of its programs, are set so that agency assistance is directed where it will best preserve free competitive enterprise and protect the interests of small businesses.

SMALL BUSINESS ADMINISTRATION

Efforts To Improve Management of the Small Business Administration Have Been Unsatisfactory--More Aggressive Action Needed

(CED-79-103, 8-21-79)

Budget Function: Community and Regional Development: Area and Regional Development (0452)
Legislative Authority: Small Business Act (15 U.S.C. 636(A)). Small Business Investment Act of 1958 (15 U.S.C. 661). Small Business Amendments of 1974 (P.L. 93-386).

The Small Business Administration (SBA) has been unsuccessful in carrying out many GAO recommendations to correct problems in its programs and activities. Key programs and activities dealing with personnel, financial, and management control functions of the agency continue to need improvement.

Findings/Conclusions: SBA continues to produce unsound loans under the business loan program because its approval and servicing procedures are not followed. The agency's monitoring of the local development companies' activities continues to be insufficient. Investment policies of small business investment companies have not changed appreciably since prior review by GAO. Some employees making or influencing decisions on assistance do not file statements of employment and financial interests, even though the agency issued rules and regulations on the matter. Although the agency has issued new procedures in some cases and reminded employees to follow existing procedures in others, most of the problems previously reported to Congress still exist.

Recommendations: The Administrator, SBA, should review SBA actions to implement the prior recommendations, and take the steps necessary to make sure that effective corrective actions are taken on those recommendations which have not been fully carried out. In future oversight hearings on the local development company program, the Senate Select Committee on Small Business and the House Committee on Small Business should review the SBA March 1977 policy change which eliminated the requirement that owners of small businesses who have sufficient personal resources fund at least part of the loan. With this change, the agency is not a lender of last resort, as is the case in other small business loan programs. In addition, these Committees should closely monitor the agency's progress in correcting problems.

Agency Comments/Action

The Administrator, SBA, agreed and directed that a review and evaluation be made of all recommendations made in GAO reports issued since 1975, including Public Law 93-386. SBA has finished the review and has taken some actions to implement the GAO recommendations.

Appropriations

Business Loan and Investment Fund - Small Business Administration
Salaries and expenses - Small Business Administration

Appropriations Committee Issues

The Committees should determine how well the SBA top management has acted to ensure that the prior GAO recommendations are effectively implemented.

SMALL BUSINESS ADMINISTRATION

How Do Federal Agencies Assure That Disaster Loan Recipients Maintain Mandatory Flood Insurance (CED-80-10, 10-26-79)

Budget Function: Community and Regional Development: Disaster Relief and Insurance (0453)
Legislative Authority: Disaster Relief Act of 1974 (P.L. 93-288). Flood Disaster Protection Act of 1973 (P.L. 93-234). National Flood Insurance Act of 1968 (42 U.S.C. 4012a). Consolidated Farm and Rural Development Act (7 U.S.C. 1961). Small Business Act (15 U.S.C. 636(b)). 24 C.F.R. 2205. Executive Order 12127. Executive Order 12148. 43 Fed. Reg. 7142. 42 U.S.C. 5154(b).

The disaster loan programs of the Farmers Home Administration (FmHA) and the Small Business Administration (SBA) were reviewed in an examination of the procedures used by Federal agencies to assure that disaster loan recipients maintain flood insurance when required as a condition for such loans. GAO reviewed legislation; agency policies, procedures, regulations, and guidelines; and gathered statistics on repeat flooding, flood insurance policies, and FmHA and SBA flood disaster loan activities since fiscal year 1975.

Findings/Conclusions: Neither of these agencies nor the Federal Emergency Management Agency (FEMA) had adequate information concerning the number of communities suffering repeat flooding, the number of loans requiring mandatory flood insurance made in flood hazard areas, and the number of borrowers required to buy flood insurance who had failed to renew or had their insurance canceled before the final repayments of their loan. Therefore, the extent of actual or potential losses to the Government and to borrowers from failure to maintain flood insurance could not be determined. Since neither of the legislative acts covering flood and disaster relief is explicit as to second loans to individuals failing to maintain required insurance on previous loans, FEMA, FmHA, and SBA established their own policies and regulations on subsequent assistance. Thus, there was some inconsistency in the three agencies practices. Given the known incidences of repeat flooding at the county level throughout the Nation during the last decade, flood insurance policy cancellation could develop into a financial disaster for uninsured borrowers. FEMA has certain corrective actions planned to combat the current lack of adequate information at the community and borrower levels. FmHA had adequate procedures to protect the Government's interest by assuring that flood insurance is maintained where required. SBA practices appear to be less than adequate in that the agency does not have contingency procedures which allow it to pay the insurance premium if the borrower fails to renew.

Recommendations: The Administrator of SBA should: (1) determine the extent of flood insurance cancellation by disaster loan recipients since the Flood Disaster Protection Act of 1973 took effect, (2) examine the writeoffs of uncollectable loans since that time due to repeat flooding, and (3) estimate the annual costs of monitoring SBA flood disaster loans. Unless the costs of loan servicing substantially exceed actual or potential uninsured losses, the Administrator should revise agency procedures to require that each flood disaster loan threatened by the borrower's failure to renew be serviced annually. If the agency revises its procedures, the Administrator should adopt contingency provisions similar to those of FmHA which would permit SBA to pay the borrower's insurance, should he fail to do so, and to seek reimbursement from the borrower. The Subcommittee on Oversight and Review should, in conjunction with the appropriate legislative committee, examine whether there is a need for a more specific or uniform national policy governing subsequent loans to individuals who fail to maintain flood insurance required by a previous loan.

Agency Comments/Action

SBA stated that the recommendations could only be accommodated by extensive analysis which would require many manhours of effort and that the agency did not have the necessary personnel to make this kind of analysis. Further, SBA stated that, in view of its historically low loss rate on disaster loans, it would not appear that the cost benefit of such analysis would be justified. SBA, however, could provide no evidence to show that its loss rate was historically low.

Appropriations

Disaster Loan Fund - Small Business Administration

Appropriations Committee Issues

The Committees should consider requiring SBA to perform the recommended analysis.

SMALL BUSINESS ADMINISTRATION

The Surety Bond Guarantee Program: Significant Changes Are Needed in its Management (CED-80-34, 12-27-79)

Budget Function: Community and Regional Development: Community Development (0451)

The Surety Bond Guarantee Program of the Small Business Administration (SBA) was established to guarantee up to 90 percent of a surety company's losses on bonds issued to small businesses which could not obtain bonding without the guarantee. From its inception in 1971, the program guaranteed more than 91,000 contracts totaling $6.3 billion. GAO evaluated the management of the program.

Findings/Conclusions: SBA has not managed the Surety Bond Guarantee Program satisfactorily. GAO identified four principle problem areas. First, SBA approved most bond guarantee applications on the basis of limited reviews of incomplete or erroneous underwriting data. As a result of this practice, SBA-guaranteed contractors defaulted on about 5,600 contracts. Second, SBA and participating sureties made little effort to minimize losses by attempting to prevent contractor defaults. Dealing with sureties which specialize in writing SBA-guaranteed bonds raised the costs of defaults to SBA since most specialty sureties do not have the capability to handle claims internally; the cost of claims handled by outside attorneys was charged to SBA. Third, the program has not significantly contributed toward graduating contractors into the private bonding market. This has been due to a failure to encourage graduation, a reluctance on the part of specialty sureties to issue bonds without SBA guarantees, and the failure of SBA to establish guidelines regarding contractor graduation. Fourth, SBA did not identify the need for management assistance or provide assistance to program contractors; rather, program officials responded only to infrequent requests for assistance.

Recommendations: The Administrator of SBA should: (1) develop underwriting guidelines to assist program personnel and surety companies in evaluating contractors' surety bond guarantee applications and require program officers to verify the data contained in selected contractor applications; (2) direct program officers to decline applications with inadequate underwriting data and to refuse to do business with agents who repeatedly submit unreliable data; (3) establish and enforce guidelines regarding surety responsibilities for monitoring contractor progress and preventing defaults; (4) establish a claims-handling reimbursement rate which will result in a reasonable and equivalent net claims-handling cost for sureties which have in-house claims handling capability and those which do not; (5) establish graduation criteria and procedures for formally encouraging and assisting contractors to obtain private bonding and place incentives on the surety companies to graduate contractors; and (6) identify the management assistance needs of program contractors and provide timely and adequate management assistance to them.

Agency Comments/Action

SBA placed an interim management team in the Surety Bond Guarantee Program to determine what specific changes need to be implemented. The agency also initiated an audit of surety company claims.

Appropriations

Surety Bond Guarantee Program - Small Business Administration

Appropriations Committee Issues

Opportunities exist for SBA to minimize losses in the Surety Bond Guarantee Program.

SMALL BUSINESS ADMINISTRATION

Small Business Administration Franchise Loans: Risk of Loss Can Be Reduced and Program Effectiveness Improved

(CED-80-47, 4-11-80)

Budget Function: Community and Regional Development: Area and Regional Development (0452)
Legislative Authority: Economic Opportunity Act of 1964 (P.L. 88-452). Small Business Act (15 U.S.C. 636(a)). 13 C.F.R. 120.2. 13 C.F.R. 121. 13 C.F.R. 122.2. 13 C.F.R. 129.1.

A review was undertaken of the Small Business Administration's (SBA) franchise loan policies and practices. As of April 1979, SBA had made or guaranteed about 16,400 loans totaling about $1 billion to franchise businesses. As of September 1978, the risk of loss by SBA on franchise loans was about $548 million. Most of SBA franchise business loans have been made under its principal business loan program. The remainder have been made under the SBA Economic Opportunity Loan (EOL) program.

Findings/Conclusions: Under the SBA principal business loan program (the 7(a) program), to be eligible for a franchise business loan, a firm must be independently owned and operated and meet the small business size standard that SBA established for the firm's industry. The three types of loans made under the 7(a) program are guaranteed, immediate participation, and direct loans. Guaranteed loans account for about 64 percent of the loans made under the program. According to SBA procedures, EOL's are restricted to low-income individuals or persons who, due to social or economic disadvantage, have been denied the opportunity to acquire adequate business financing through normal leading channels on reasonable terms. GAO believes that the SBA franchise guidelines are adequate to ensure loan payment. However, its practices and procedures were not always followed. Moreover, although SBA provides some information, counseling, and management assistance to franchise borrowers, improvement is needed to ensure loan payment. Further, SBA field visits, a necessity in identifying borrower financial difficulties and determining whether management assistance is needed, were not made in accordance with operating procedures for 50 percent of the loans GAO reviewed. SBA officials attributed this to staff shortages.

Recommendations: The Administrator, SBA, should require that: (1) SBA not make or guarantee franchise loans unless it has evidence that the franchisor cannot guarantee all or part of SBA direct loans or share with SBA guarantees of bank loans; (2) SBA not make or guarantee franchise loans if the franchisor can provide financial assistance on reasonable terms; (3) before approving loans, district offices obtain proof of refusal by banks and others to make loans, including the date, amount, and terms requested, and the reason for refusal, as required by Federal regulations; (4) district offices obtain and review franchise agreements in all cases to ensure that provisions in the agreements do not make prospective borrowers ineligible for loans or unduly restrict the borrowers' repayment abilities; (5) district offices limit, to the maximum extent possible, accepting the weaker types of collateral to secure loans, especially inventory and accounts receivable; (6) district offices have independent appraisals made of collateral pledged for those loans exceeding a certain amount; (7) district offices negotiate guarantee rates with banks to reduce the number of loans being guaranteed at the maximum 90 percent rate; (8) headquarters office make financial analyses of franchisors, particularly those whose franchisees have received over 100 loans, and advise the district offices of the results for their use in obtaining franchisor guarantees of SBA direct loans and sharing of bank-loan guarantees with SBA; (9) district offices make or otherwise obtain credit analyses of all franchisees; (10) SBA Standard Operating Procedures be revised to define a franchise; and (11) SBA establish at the headquarters office an information file on franchise loans, including loan failure rates for each franchisor and the reasons for each failure, and provide this information to district offices and prospective franchises for their use in making loan decisions to help reduce the potential for loan losses.

Agency Comments/Action

SBA disagreed with some of the GAO recommended actions for various reasons including the belief that: (1) franchisors would not agree with these actions, which would decrease the number of franchise loans SBA makes; (2) SBA already obtains sufficient proof of loan refusal by banks and other non-Federal sources; and (3) franchise agreements were being reviewed as required. SBA agreed to implement the GAO recommendations on defining a franchise and providing district offices information on franchise loan failures to assist them in loan discussions. SBA also agreed that field visits to borrowers were not always made.

Appropriations

Business Loan and Investment Fund - Small Business Administration

Appropriations Committee Issues

Program costs could be reduced through improved SBA administration and transfer of some of the risk of loss on loans to the companies that sell franchises.

SMALL BUSINESS ADMINISTRATION

Most Borrowers of Economic Opportunity Loans Have Not Succeeded in Business (CED-81-3, 12-8-80)

Budget Function: Community and Regional Development (0450)
Legislative Authority: Economic Opportunity Act of 1964. Small Business Act. P.L. 95-507.

The Small Business Administration's (SBA) Economic Opportunity Loan Program (EOL) has been a means for sustained economic progress for relatively few borrowers. The program originated with the Economic Opportunity Act as a part of the war on poverty. Today, it is part of a larger SBA effort involving several programs to help socially and/or economically disadvantaged people create and maintain small businesses. To be eligible for a direct loan, a business must be rejected for financing by two banks and found unqualified for the principle business loan program of SBA. Borrowers that GAO sampled were inexperienced, had low personal investments, and operated in disadvantageous locations. They were usually just starting out in business and owned mostly very small retail or service businesses with low sales and few or no employees.

Findings/Conclusions: The program's ability to improve the economic condition of low-income and disadvantaged people could be improved if SBA corrected deficiencies in management and operation and employed new techniques to overcome borrowers' inexperience and low capital investment. GAO found that the number of paid-in-full loans overstated the number of borrowers who had successfully completed the program and established lasting businesses. The outlook for many borrowers with outstanding loans is not good. As of June 1980, the proportion of portfolio loans which were delinquent or in liquidation was higher than it had been at the end of any of the last 8 fiscal years. The program produced few lasting businesses because: loan officers did not adequately examine loan applicants' qualifications and needs; SBA focused efforts on lending in quantity but not lending effectively; SBA was inattentive to program results, not measuring the program's contributions toward improving the economic condition of disadvantaged people; and there are long waiting periods for loans and less qualified applicants may receive loans at the expense of better qualified applicants. SBA has tried special assistance but without much success. Borrowers have not usually accepted the management assistance offered, and it was of too limited scope and came too late.

Recommendations: Congress should determine whether the higher interest paid by borrowers of direct EOL's is justified by the greater risk associated with EOL lending or whether in the interests of fairness for disadvantaged businesses, the rates should be the same. Congress should amend the Small Business Act by changing section 7(i)(5)(D) of the Act to incorporate the formula used in section 7(a)(4) if it finds that the interest rates should conform and that the 7(a) rate is appropriate for both programs. Congress should monitor SBA implementation of the GAO recommendations for management improvements made in this report and their impact on program results. The Administrator of SBA should prevent the use of refinancing involving large additional outlays to borrowers who are unable to repay their first loan. The Administrator of SBA should establish program goals for producing successful, lasting businesses and monitor the progress of the program toward reaching these objectives. The Administrator of SBA should assure that loans not be made to applicants who need but refuse management assistance in making initial business decisions, or deciding how to spend loan proceeds. The Administrator of SBA should upgrade minimum credit standards for the program so that only the best qualified EOL applicants who can be funded within a reasonable time are admitted onto the waiting lists. The Administrator of SBA should monitor closely the compliance of loan officers with recently established procedures calling for a fuller consideration of whether loan applicants are disadvantaged. The Administrator of SBA should test the effectiveness of three techniques for alleviating borrowers' undercapitalization and inexperience (1) extended grace periods on initial interest repayments; (2) graduated loan repayment schedules providing for increasing payments during the life of the loan; and (3) more intensive and timely management assistance. The Administrator of SBA should require more comprehensive examinations by loan officers of the prospective borrowers' ability to repay and financing needs, including better analyses of projections, anticipated cash flow, management capability, and the sufficiency of loan amounts.

Agency Comments/Action

In commenting on the report, SBA said that the program as a whole had not failed. It said that the loans are the highest risk portfolio and asked what percentage of success should be considered acceptable in this type of program. SBA did not indicate whether it will implement the GAO recommendations nor did it present any additional facts or views which would cause GAO to modify its conclusions or recommendations.

Appropriations

Business Loan and Investment Fund - Small Business Administration

Appropriations Committee Issues

The Committees should review the interest rate formulas for all SBA loan programs to assure that they are equitable to both lenders and small business borrowers.

SMALL BUSINESS ADMINISTRATION

Similar Business Assistance Programs of Two Federal Agencies Have Potential for Duplication (CED-81-26, 12-31-80)

Budget Function: Commerce and Housing Credit: Other Advancement and Regulation of Commerce (0376)

The university-based management and technical assistance programs administered by the Small Business Administration (SBA) and the Economic Development Administration (EDA) were reviewed. Comparisons were made of the similarities, differences, and possible duplications between the programs.

Findings/Conclusions: The problem-solving or counseling assistance provided under both programs is alike in many respects. The EDA program emphasizes businesses located in economically distressed areas, while the SBA program helps the small business community in general. The limited number of SBA centers precludes its program from serving many of the States and areas now served by the EDA program. However, should either program expand in scope, duplication could become a problem. Neither agency has an evaluation system that adequately addresses the quality of the management and technical assistance services provided and results achieved by the centers, or the cost effectiveness of such assistance. Both EDA and SBA are relying on results reported by centers as a means of measuring program effectiveness; however, this information is not always valid. Comparing programs is difficult because of inadequate documentation of assistance rendered, not matching staff time and expenditures to program elements such as counseling of businesses, and wide differences in organizational structure and criteria for accepting clients. Unless improved, these conditions will hinder the agencies' efforts to evaluate program effectiveness.

Recommendations: Congress should reevaluate the need for both agencies to provide management and technical assistance using university based centers as delivery vehicles. The Secretary of Commerce should direct the Assistant Secretary of Economic Development to provide criteria to centers on how to determine the results EDA requests centers to report, such as jobs created and saved or potential jobs created. The Secretary of Commerce should direct the Assistant Secretary for Economic Development to periodically check the consistency and validity of results centers report. The Administrator of SBA should ensure that data being reported by the centers, for example, the form 1062, is accurate. The Administrator of SBA should stress to center officials the need for accurate data. The Secretary of Commerce should require that the Assistant Secretary for Economic Development and the Administrator of SBA modify their systems for evaluating the effectiveness of their university based, management assistance programs. The Secretary of Commerce should require the Assistant Secretary for Economic Development and the Administrator of SBA to consider the need for (1) uniform and consistent data at centers; (2) adequate documentation of assistance provided by centers; (3) criteria for centers to use in accepting clients/businesses; (4) matching center costs to program elements; and (5) measuring quality of counseling assistance and results achieved. The Secretary of Commerce should require the Assistant Secretary for Economic Development and Administrator of SBA to consider using evaluation teams comprised of individuals having the expertise and established credentials in the primary areas of counseling to (1) evaluate the qualifications of the principal center counselors for areas they counsel; (2) select cases at varying stages of completion and monitor/evaluate these counselors' methodology, judgments, and recommendations; and (3) assign values based on the levels of performance observed.

Agency Comments/Action

SBA disagrees with some of the GAO positions regarding potential duplication, inadequate evaluation, and differing organizational structures among the centers. SBA also believes that the report contains several contradictory statements. EDA agrees with GAO about certain inadequacies in its evaluation system and plans to take corrective action. However, EDA disagrees with the GAO conclusion regarding potential duplication. After considering the SBA and EDA views, GAO maintains that the report's conclusions are valid and the recommendations are appropriate and necessary. SBA and EDA did not provide any additional facts which would cause GAO to modify its position.

Appropriations

Financial and technical assistance - Economic Development Administration
Salaries and expenses - Small Business Administration

Appropriations Committee Issues

The Committees, in reviewing the budget requests for university-based center programs of SBA, EDA, and other agencies, should determine whether the administration of these programs can be consolidated effectively.

SMALL BUSINESS ADMINISTRATION

The 8(a) Pilot Program for Disadvantaged Small Businesses Has Not Been Effective (CED-81-22, 1-23-81)

Budget Function: National Defense: Department of Defense - Procurement & Contracts (0058)
Legislative Authority: P.L. 95-507. P.L. 96-481.

The implementation of the 8(a) pilot contracting program of the Small Business Administration (SBA) is discussed. SBA awards procurement contracts under this program to socially and economically disadvantaged small businesses for the purpose of helping them become competitive. When SBA uses the pilot program, it has the exclusive authority to designate procurement requirements. The Department of the Army was selected as the pilot agency in 1979; however, the Army and SBA disagree over the manner in which this program can be most effective. In 1980, the President designated three other agencies to participate in the pilot program. GAO sees no basis for these designations.

Findings/Conclusions: The stated objective of the pilot program was to seek procurement opportunities which were not currently offered by the Army under the regular 8(a) program. The pilot program has not met this objective. The three initial contracts awarded under the pilot program could have been handled under the regular 8(a) program, and GAO questioned the contribution the contracts would make for the firms that received them. In an attempt to upgrade the quality of procurements available to participants in the program, SBA issued criteria that firms must meet before they can be selected for the 8(a) program. It also issued criteria for contracts selected for the pilot program. Better program controls are needed in order for SBA to properly assess and match 8(a) firms' capabilities with procurement opportunities. Additional program testing is necessary in an agency that has not yet demonstrated its complete support for the 8(a) program. The Army has had a history of fully supporting the program.

Recommendations: Congress should amend the authorizing legislation to allow for the further testing of the pilot program in an additional Federal agency that has yet to demonstrate its complete support for the 8(a) program. The Administrator of SBA should direct program officials to make sure that 8(a) firms selected for the pilot program have the capability to successfully do the job. The Administrator of SBA should ask the Office of the Inspector General to conduct reviews of the three initial pilot contracts to find out how effectively the contractors performed. The Administrator of SBA should direct program officials to make sure that procurement center representatives have enough information on 8(a) firms' capabilities so that this data can be used to match qualified firms to procurements. The Administrator of SBA should direct program officials to diligently enforce the objective of the pilot program by demanding contracts only when the Army is reluctant to offer them under the regular 8(a) program.

Agency Comments/Action

SBA disagreed with the overall report and several of the conclusions and recommendations. The Administrator, in commenting on the report to the House Committee on Government Operations, stated that SBA was confused about the GAO conclusion that the SBA implementation of the pilot program had not improved its ability to obtain procurements which were not currently offered by the Army under the regular program. He stated that, with the exception of the first pilot construction contract, the Army had not offered any of the awarded or reserved pilot projects to SBA for regular 8(a) contracting and had testified that it did not intend to do so. The Administrator also questioned as uneven, comparisons between the 16-month pilot program and the 13-year procurement history of the regular program. The GAO conclusion was based on observations that the three pilot contracts could have been handled through the regular 8(a) program and that many other procurements identified for the pilot program at the time of the review were regular 8(a) program-type procurements. As an example, the Army Corps of Engineers has a policy of offering projects to SBA, and some of the pilot program contracts and reservations could have been included in the regular program. SBA offered other objections to the report but did not provide any information that caused GAO to change statements made in the report.

Appropriations

Salaries and expenses - Small Business Administration

Appropriations Committee Issues

The Committees should review the impact of the 8(a) pilot program with the Department of the Army.

SMALL BUSINESS ADMINISTRATION

SBA's Pilot Programs To Improve Guaranty Loan Procedures Need Further Development (CED-81-25, 2-2-81)

Budget Function: Community and Regional Development (0450)
Legislative Authority: Small Business Act (15 U.S.C. 636(a)). 7 P.L. 96-302.

The 7(a) business loan program is the principal activity of the Small Business Administration (SBA) for providing financial assistance to small businesses. SBA makes loans to small businesses and guarantees loans made by others. In recent years, the program has emphasized guaranty loans whereby SBA guarantees the repayment of loans made to small businesses by private lending institutions. The major cause of dissatisfaction among business owners, lenders, and SBA personnel is that it takes too long to obtain a guaranty loan because of the number and complexity of the documents required to apply for a loan, and the time required for a SBA review of those documents. SBA has been testing two pilot programs to expedite the processes for application and approval of a guaranty loan. The bank certification program aims to shorten the time required for SBA to review and approve guaranty loan applications. The operation effectiveness program is designed to reduce the number and complexity of the application documents.

Findings/Conclusions: Both programs appear promising in shortening the time and simplifying the paperwork required to obtain a guaranteed loan. The bank certification program addresses only one aspect of the problem, the amount of time SBA uses to review loan applications. The program does little to broaden the participation of banks and other lenders in the program. SBA has yet to develop and implement a system to provide audit and oversight of the certified banks' loan portfolios. The need for a system to monitor the performance of the certified banks is especially important now that SBA has the authority to delegate the determination of eligibility and loan servicing and liquidation to lending institutions. The simplified application documents of the operation effectiveness program have shortened the loan application and review time in the one SBA region where it has been tested. However, the revised documents have not been adopted agencywide nor been used for loan applications in the bank certification program.

Recommendations: The SBA Administrator should inform banks of SBA efforts to reduce loan processing time and simplify loan application documents. The SBA Administrator should monitor the activities of the banks operating under the bank certification program to assure compliance with program rules, regulations, and guidelines. The SBA Administrator should require that the simplified loan application forms and processing procedures be adopted agencywide.

Agency Comments/Action

SBA agreed with the report and said that it was initiating several actions to address the recommendations. SBA stated that loan application forms were being revised and would be used nationwide. SBA also stated that an Office of Lender Relation and Certification had been established that would work on a marketing/outreach program and that the Bank Certification Program was being expanded to include more banks. SBA said that it would also develop a monitoring system for banks participating in the program.

Appropriations

Business Loan and Investment Fund - Small Business Administration

Appropriations Committee Issues

The Committees should determine whether Federal efforts are adequate to assure that banks participating in the Bank Certification Program comply with program rules, regulations, and guidelines. The Committees should also work with SBA to identify other opportunities to expedite service by shifting some program responsibilities in the guarantee programs to the private sector.

SMALL BUSINESS ADMINISTRATION

Reservation and Award of Section 8(a) Small Business Act Contracts to Arcata Associates (AFMD-81-33, 3-23-81)

Budget Function: Automatic Data Processing (1001)
Legislative Authority: Small Business Act (15 U.S.C. 637(a)). 13 C.F.R. 121.3-8(e). 13 C.F.R. 124.1. P.L. 95-507. 18 U.S.C. 1905.

GAO reviewed the reservation and award of Section 8(a) Small Business Act contracts to a firm to determine whether allegations made by a competing firm are valid and to what extent the management by the Small Business Administration (SBA) of the 8(a) program was deficient in this situation. GAO reviewed contract and 8(a) program files and conducted interviews to identify the process and procedures followed in qualifying the firm for the 8(a) and Pilot Programs and in reserving and awarding contracts involving the firm. GAO also reviewed applicable SBA rules and regulations and coordinated its efforts with the SBA Inspector General.

Findings/Conclusions: GAO believed that some of the allegations concerning the SBA reservation and award of contracts to the firm had merit. GAO found that the management by SBA of the firm's participation in the 8(a) program was deficient. Using its Pilot Program authority, SBA formally reserved an agency's requirement for the firm and in doing so halted the agency's attempt to procure its requirements through open competition. The contract was awarded to SBA, and the related subcontract was awarded by SBA to the firm. The protesting firm had won two prior contracts to perform the work. The protester argued that the award would be contrary to the statutory and regulatory competency requirements, the intent of the Pilot Program, and SBA eligibility standards and business plan requirements. GAO found that SBA awarded the contract to a firm that: (1) would provide a service unrelated to its capabilities as identified in its business plan or the experience of its principal or professionals; (2) was not evaluated for technical capability to perform as required by SBA procedures; (3) has not maintained its status as a small business because of the 8(a) awards it has received; (4) has received 8(a) support that is almost four times the approved amount under SBA procedures; (5) was allowed to select contract requirements and then change its business plan to reflect the capabilities required by the selected contract; and (6) has not maintained a reasonable balance between 8(a) and non-8(a) sales.

Recommendations: The Administrator of SBA should take appropriate action to ensure that all assistance to 8(a) firms complies with applicable statutory and regulatory authority and agrees with established SBA procedures. The Administrator of SBA should actively pursue the effort, promised in 1979, to insure that better and more specific economic eligibility criteria are produced at the earliest possible date. The Administrator of SBA should throughly review the Arcata case with his Inspector General and determine whether Arcata's status and performance of this contract are consistent with established criteria and if not, whether termination of the contract and/or removal from the program are warranted.

Agency Comments/Action

There was no action on the comments as of August 27, 1981.

Appropriations

Salaries and expenses - Small Business Administration
Operation and maintenance - Army
Test and evaluation - Army
Reimbursement for net realized losses - Department of Agriculture, Commodity Credit Corporation

SMALL BUSINESS ADMINISTRATION

The SBA 8(a) Procurement Program--A Promise Unfulfilled (CED-81-55, 4-8-81)

Budget Function: National Defense: Department of Defense - Procurement & Contracts (0058)
Legislative Authority: Small Business Act. P.L. 95-507. P.L. 96-481.

The 8(a) Procurement Program of the Small Business Administration (SBA) is designed to channel noncompetitive Federal contracts to disadvantaged small businesses to help them to become self-sufficient. The program also provides management, technical, marketing, and financial aid. A review was made of the program's implementation.

Findings/Conclusions: The program has had some benefits: the formation of many disadvantaged firms, continued operation of these firms, providing experience in business management, and assistance in getting commercial and non-8(a) Government work. But the program has fallen short of its intended goal. Only 166 of the participating firms have graduated from the program as competitive businesses. A large volume of 8(a) contracts went to 50 firms which continue to be active participants. Over three-fifths of the firms have been in the program between 7 and 11 years. More than half of the participants that GAO interviewed were dissatisfied with or did not need the provided management, technical, and marketing aid. Removing inappropriate 8(a) firms from the program would give other disadvantaged firms an opportunity to participate. Often assessments of whether 8(a) contract awards will have an impact on other small businesses were not always made or were superficial. Several interrelated factors have limited the program's effectiveness: the President's yearly 8(a) contract goal imposed on SBA, vague program graduation criteria, missing business plan and financial statement data, and limited staff resources. Redirecting the program could free the limited staff to better serve program participants, provide an opportunity for other disadvantaged firms to participate, and enhance the program's credibility within the business community.

Recommendations: Congress should further build on the recently enacted legislation by considering the following alternatives, some of which restructure the 8(a) program: (1) continue the present 8(a) program; (2) reduce the size of the present 8(a) program; (3) establish a two-tier program; and (4) replace the 8(a) program. The Administrator of SBA should take action to fill business development specialists (BDS) vacancies so that the 8(a) program operates at full staffing strength as soon as the presidentially imposed hiring freeze is lifted. The Administrator of SBA should provide BDS's with adequate training, especially in understanding financial statements, so that the status of 8(a) firms can be assessed. The Administrator of SBA should direct participating 8(a) firms to submit accurate and timely business plan projections and financial statements as required by SBA standard operating procedures. The Administrator of SBA should assure that participating 8(a) firms submit financial statements that break out 8(a) and non-8(a) sales so that progress can be measured. The Administrator of SBA should remove inappropriate 8(a) firms by assuring that the graduation criteria being developed is aggressively implemented and termination requirements set forth in SBA procedures are followed. The Administrator of SBA should provide standardized criteria for determining adverse impact so that SBA regions and districts make proper determinations. The Administrator of SBA should revise the standard operating procedures to require that sufficient documentation supporting the impact determinations be included in the file. The SBA Administrator should require SBA program personnel to fully implement the adverse impact policy aimed at protecting the rights of small businesses. The SBA Administrator should direct SBA personnel, in cooperation with Federal procuring agencies, to identify items that 8(a) firms can provide that have been traditionally furnished by big business.

Agency Comments/Action

SBA generally agreed with the GAO recommendations but did not think that the last three GAO alternatives for changing the program were appropriate. SBA stated that the second alternative would deny disadvantaged firms entry to the program and cause the arbitrary selection of participants for program removal. The third alternative was considered impractical because more staff would be needed to manage a complicated program. Lastly, SBA expressed concern about whether Federal buying agencies would be willing to carry out and assure the success of the fourth alternative. GAO continues to believe that the three alternatives represent valid ways to redirect the 8(a) program emphasis. The SBA Administrator has taken some action to limit the number of program participants by establishing a moratorium on new program participants and reviewing firms currently in the program to determine whether or not they should be graduated from the program.

Appropriations

Salaries and expenses - Small Business Administration

Appropriations Committee Issues

When evaluating the budget requests of SBA and other procuring agencies, the Committees should determine whether the 8(a) program, as it is currently structured, is the most effective method of providing procurement assistance to socially and economically disadvantaged small businesses.

SMALL BUSINESS ADMINISTRATION

Need To Determine Whether Existing Federal Programs Can Meet the Needs of Women Entrepreneurs (CED-81-90, 4-30-81)

Budget Function: Nondiscrimination and Equal Opportunity Programs (1006)
Legislative Authority: Executive Order 12138. P.L 95-507.

GAO reviewed the actions taken by the Small Business Administration (SBA) and the Interagency Committee on Women's Business Enterprise to promote women entrepreneurs and to suggest ways to improve such activities.
Findings/Conclusions: The SBA and the Interagency Committee have not given enough attention to using existing SBA and other Federal resources to meet the needs of women entrepreneurs. Their attention has been directed to designing new programs rather than determining whether existing Federal programs are or could be made responsible to women business owners. Many of the problems cited by women entrepreneurs are characteristic of small businesses and are not unique to women. On the other hand, social prejudices that were also identified, such as a credibility gap with contractors and bank loan officers, have undoubtedly intensified problems for some women. An Executive order requires that Federal departments take afffirmative action in support of women's business enterprise through management, financial, and procurement assistance programs. The Interagency Committee was formed to help ensure that the order would be effectively executed, and the order directed SBA to support the Committee. An SBA Women's Business Enterprise Division was formed to give added visibility to SBA efforts to promote women's business enterprises, ensure that agency programs adequately considered the needs of women entrepreneurs, and provide staff support to the Interagency Committee. GAO found the lack of operating procedures to be a major problem for the Women's Business Enterprise Division. GAO also identified a need for better feedback from women receiving SBA assistance. GAO also found that the Interagency Committee has not provided adequate guidance to Federal agencies for implementing the Executive order.
Recommendations: The Administrator of SBA should direct the Associate Administrator for the Women's Business Enterprise Division to establish procedures governing the Division's operation, including how it will interact with other SBA units. The Administrator of SBA should direct the Associate Administrator for the Women's Business Enterprise Division to determine, in conjunction with the above evaluation, data requirements necessary to continually monitor the responsiveness of SBA programs to the needs of women business owners. When this determination is made, reporting forms should be modified, to the extent possible, to satisfy these data requirements. The Administrator of SBA should issue a directive specifying the line of authority between the Women's Business Enterprise Division and the women's field coordinators. This directive should also provide guidance to the Women's Division regarding interaction with other SBA program offices. The Administrator of SBA should direct the Associate Administrator for the Women's Business Enterprise Division to prepare position descriptions and/or guidelines describing the specific responibilities of the women's field coordinator. These guidelines should address any responsibility for coordinating or monitoring other agencies' activities. Moreover, procedures should be prepared, and a reporting system developed, to monitor the field coordinators' activities. The Administrator of SBA should direct the Associate Administrator for the Women's Business Enterprise Division to provide the Interagency Committee, with the staff support necessary to revise the interagency guidelines and to develop a more structured reporting system for monitoring and coordinating agency activities. The Administrator of SBA should direct the Associate Administrator for the Women's Business Enterprise Division to evaluate whether existing SBA programs are, or can be made, responsive to women entrepreneurs.

Agency Comments/Action

SBA accepted the GAO recommendations and was taking the following actions: (1) a comprehensive evaluation of traditional SBA programs to determine whether they are or could be made responsive to women's needs; (2) a study to see if, in fact, women have specific problems in areas of needs common to all businesses such as money, markets, and management and, if so, if they are being met; and (3) using an approach of mainstreaming in all women's activities.

Appropriations

Salaries and expenses - Small Business Administration

Appropriations Committee Issues

The Committees should review the SBA budget requests to determine how SBA plans to use its existing programs to respond to the needs of women entrepreneurs.

SMALL BUSINESS ADMINISTRATION

Better Management of Collateral Can Reduce Losses in SBA's Major Loan Program *(CED-81-123, 7-17-81)*

Budget Function: Commerce and Housing Credit: Other Advancement and Regulation of Commerce (0376)
Legislative Authority: Small Business Act.

The 7(a) loan program of the Small Business Administration (SBA) makes or guarantees loans to small businesses that are unable to obtain financial assistance from other sources such as private lending institutions. In recent years, the 7(a) program has experienced increasing losses. As of April 1981, 14.4 percent of the outstanding loans were delinquent or in liquidation. As loans face possible liquidation, the collateral pledged in support of these loans gains greater significance as a means of reducing losses. GAO reviewed the program to determine if SBA liquidation policies and practices for 7(a) business loans have minimized Federal losses which have increased over recent years.

Findings/Conclusions: The standard operating procedures of SBA generally provide a sound basis for managing collateral during loan servicing and liquidation. If these procedures are followed, the losses on defaulted loans can be minimized. A GAO review of 22 charged-off 7(a) loans showed that these procedures were not regularly followed by the district offices. Insufficient staff resources appear to be the primary reason SBA is unable to fully comply with the procedures. During servicing, the collateral position of SBA is often unnecessarily jeopardized because of weaknesses in verifying the use of loan proceeds and monitoring collateral. At liquidation, the recovery by SBA on defaulted loans may not have been maximized because liquidation plans were not prepared and weaknesses existed in the inspection and appraisal of collateral and the financial investigation of obligors. As a result, losses on the loans reviewed were not minimized. The Bank Certification Program is a major effort by SBA to streamline the loan delivery system. The Program's aim is to shorten the time required for SBA to review and approve guaranty loan applications by increasing the lending institution's role. The Bank Certification Program may provide some relief to the staff problems plaguing the servicing and liquidation of loans.

Recommendations: The SBA Administrator should determine those aspects of the District Office's Portfolio Management Division's workload where it is essential that the Government's interest be protected and align existing staff accordingly. The SBA Administrator should modify the standard operating procedures to require spot checks of collateral during discretionary field visits to delinquent borrowers. The SBA Administrator should modify the standard operating procedures to require evidence from the participating bank of the existence, condition, and location of collateral before the loan guaranty is honored. The SBA Administrator should modify the standard operating procedures to clarify the requirement for and stress the importance of liquidation plans. The SBA Administrator should modify the standard operating procedures to require that the current financial condition of loan obligors be determined as soon as a loan is placed in liquidation. The SBA Administrator should modify the standard operating procedures to stipulate a timeframe for making a liquidation field visit to inventory and inspect collateral. The SBA Administrator should reassign staff made available as a result of the Bank Certification Program to duties in the Portfolio Management Division.

Agency Comments/Action

Comments have not been received from SBA regarding planned action.

Appropriations

Business Loan and Investment Fund - Small Business Administration

Appropriations Committee Issues

The Committees should evaluate the adequacy of SBA efforts to provide the necessary staff to manage collateral according to standard operating procedures.

SMALL BUSINESS ADMINISTRATION

SBA's Progress in Implementing the Public Law 95-507 Subcontracting and Surety Bond Waiver Provisions Has Been Limited

(CED-81-151, 9-18-81)

Budget Function: Community and Regional Development: Area and Regional Development (0452)
Legislative Authority: Small Business Act. Miller Act (Public Building Contracts) (40 U.S.C. 270a et seq.). Executive Order 12190. P.L. 95-507. P.L. 96-481. OFPP Circular 80-2. S. Rept. 95-1070.

GAO reviewed actions taken by the Small Business Administration (SBA) and the Presidential Advisory Committee to promote subcontracting as a means of developing small and small minority businesses and the SBA implementation of the surety bond waiver provision of Public Law 95-507.
Findings/Conclusions: SBA and the Presidential Advisory Committee have not fully implemented the subcontracting provision of Public Law 95-507, the purpose of which is to encourage large, private businesses to place subcontracts with small and small minority firms. The Advisory Committee has focused on Federal, rather than required private sector, subcontracting, while the SBA efforts, which have been limited primarily to agreements with four corporations, have resulted in only two subcontracts for small businesses. Few, if any, additional subcontracting opportunities are likely to result from these two agreements. SBA needs to emphasize that agreements are to be made with corporations that are not heavily engaged in Federal contracting according to the intent of the law. Also, the Advisory Committee has not studied or proposed any incentives or assistance for the private sector to help train, develop, and upgrade small businesses, as the executive order which established the committee directed. SBA has not implemented the surety bond waiver provision established by Public Law 95-507 which authorized the SBA Administrator to waive any amount of any bond required by a Government procurement officer for, and in connection with, certain contracts provided to SBA. Detailed procedures for identifying and processing these waivers had not been finalized as of September 8, 1981. As a result, no bond waivers have been granted. Thus, extending the provision's expiration date would be reasonable.
Recommendations: Congress should consider extending the surety bond waiver provision for 2 years, to September 30, 1983, and require SBA to report to Congress on the provision's effectiveness before the revised expiration date. The SBA Administrator, together with the new Presidential Advisory Committee, should develop a specific plan for promoting contracts and subcontracts for small and small minority businesses from the private sector, outside of Federal procurements. The plan should include the functional responsibilities of both SBA and the Presidential Advisory Committee, short-range goals, and a procedure for monitoring and evaluating progress. The SBA Administrator, together with the Presidential Advisory Committee, pursuant to the Small Business Act and Executive Order 12190, should study and propose any incentives and assistance the private sector needs to help train, develop, and upgrade small and small minority businesses. The SBA Administrator should require that, in obtaining future agreements to promote subcontracting, priority be given to corporations that are not heavily engaged in supplying goods and services to the Federal Government and, therefore, not already required by law to use small businesses as subcontractors.

Agency Comments/Action

SBA has not officially responded to the GAO report.

Appropriations

Minority small business and capital ownership development - Small Business Administration

Appropriations Committee Issues

Should Congress extend the surety bond waiver provisions, the Committees should review the effect of the waivers with SBA and procuring agencies.

SMALL BUSINESS ADMINISTRATION

Problems With the Small Business Administration's Merit Appraisal and Compensation System (FPCD-81-74, 9-21-81)

Budget Function: General Government: Central Personnel Management (0805)
Legislative Authority: Civil Service Reform Act of 1978.

GAO reviewed the performance appraisal/merit pay program of the Small Business Administration (SBA).

Findings/Conclusions: SBA experienced numerous problems in its initial implementation of merit pay. Some of these problems appear to be associated principally with implementation; others appear to be recurring, such as: (1) difficulties in developing, with employee involvement, meaningful performance standards; (2) problems with rating distribution skewness, resulting in management's prescribing a distribution of ratings contrary to Office of Personnel Management regulation; and (3) problems with using preestablished performance objectives as the basis for performance appraisals leading to the substitution of new appraisal criteria after the appraisal period contrary to the requirements of the Civil Service Reform Act. These problems contributed to negative attitudes and reduced the credibility of the SBA Merit Appraisal and Compensation (MAC) System. Unless these problems are addressed and resolved, many of the problems may well occur again in fiscal year 1981. No new official SBA management goals have been developed in 1981 for headquarters and field offices. As these goals serve as the primary basis for setting individual performance objectives, many individuals' performance objectives will be based on fiscal year 1980 goals that have not been revised or updated. Because few changes were made in the MAC system in 1981, there is a good chance that performance measures other than preestablished objectives might again be used as the basis for appraising performance, resulting in increased employee dissatisfaction.

Recommendations: SBA should take corrective actions in 1981 to insure that specific distributions of employee performance ratings are not prescribed or forced. SBA should require that each level of management responsible for reviewing performance appraisals also be required to review and approve performance objectives early in the appraisal period or be willing to accept preestablished objectives as the basis for the appraisal review. SBA should take corrective actions in 1981 to insure that performance criteria other than preestablished performance objectives are not used by firstline supervisors in appraising employee performance or by higher level staff in reviewing and changing the initial appraisals. SBA should insure that individuals' objectives are jointly developed by the people being appraised and those doing the appraisals.

Agency Comments/Action

Agency comments were not available as of October 20, 1981.

Appropriations

Salaries and expenses - Small Business Administration

SMALL BUSINESS ADMINISTRATION

SBA's 7(j) Management Assistance Program--Changes Needed To Improve Efficiency and Effectiveness (CED-81-149, 9-29-81)

Budget Function: Community and Regional Development: Area and Regional Development (0452)
Legislative Authority: Economic Opportunity Act of 1964. Small Business Act. P.L. 93-386. P.L. 95-507. S. Rept. 95-1070.

The 7(j) Management Assistance Program is part of a Small Business Administration (SBA) effort to help socially and economically disadvantaged people create and maintain small businesses by improving their technical and management skills. In 10 years, funds allocated to the program have risen from about $1 million to about $10 million, and the number of small business owners served has grown from about 1,000 to 6,000. The Economic Opportunity Act authorized SBA to: (1) contract with consulting firms that agree to provide counseling and general management assistance to individuals referred to them by SBA on an "on call" basis and; (2) provide supplementary management and technical assistance exclusively to firms participating in the SBA 8(a) program which was designed to channel noncompetitive Federal contracts to disadvantaged small businesses.

Findings/Conclusions: Administrative problems have limited the impact of the 7(j) program. Program resources have not been well coordinated with other SBA programs, and funds targeted for 8(a) firms were used for questionable purposes. Consequently, program funds have not been used in the most efficient manner, resulting in fewer clients receiving management and technical assistance than would otherwise have been possible. SBA used contractors when less expensive agency resources were available, applied different contracting methods without reasonable control over rates, and allowed contractors to make excessive use of subcontractors. Small business owners had varying opinions regarding the value of the advice the contractors gave them. SBA procedures require agency personnel to contact all businesses receiving contracting assistance, but only 54 percent of the clients which GAO interviewed said that SBA contacted them about the results of the contractors' work. SBA has not developed a plan for administering the program nor has it established specific program goals, objectives, or priorities. The lack of planning has led to subjective funding decisions, reliance on unsolicited proposals to satisfy program requirements, and scattered program direction. SBA funded projects that were not within the legislative objectives, costly projects which benefited only one or a few firms, and projects which it should have performed itself. Also, SBA did not adequately monitor contracts awarded under the program.

Recommendations: The Administrator of SBA should direct the Associate Administrator for Minority Small Business and Capital Ownership Development to establish a maximum task-day cost allowable under noncompetitive 8(a) contracts for various types of on call-contract services. The Administrator of SBA should direct the Associate Administrator for Minority Small Business and Capital Ownership Development to revise the 7(j)(10) standard operating procedures to clarify the criteria for 7(j)(10) project selection. The Administrator of SBA should direct the Associate Administrator for Minority Small Business and Capital Ownership Development to revise the 7(j)(10) standard operating procedures to clarify the criteria and process for the allocation of 7(j)(10) program resources. The Administrator of SBA should direct the Associate Administrator for Minority Small Business and Capital Ownership Development to develop a written plan describing how program resources will be used. This plan should be compatible with the agency's defined program goals and objectives. The Administrator of SBA should direct the Associate Administrator for Minority Small Business and Capital Ownership Development to direct regional and district offices to follow existing agency procedures for obtaining feedback on client satisfaction with services provided by on call contractors. The Administrator of SBA should direct the Associate Administrator for Minority Small Business and Capital Ownership Development to define and rank: (1) 7(j)(10) program goals and objectives consistent with the program's legislative mandate; (2) the number and needs of program participants; and (3) the availability of 7(j)(10) resources. The Administrator of SBA should direct the Associate Administrator for Minority Small Business and Capital Ownership Development to develop procedures for systematically screening all requests for management assistance which identify the types of assistance programs available and the situations and clients these programs are best capable of helping. The Administrator of SBA should direct the Associate Administrator for Minority Small Business and Capital Ownership Development to revise the 7(j)(10) standard operating procedures to clarify the responsibilities of individuals charged with contract monitoring. The Administrator of SBA should direct the Associate Administrator for Minority Small Business and Capital Ownership Development to direct regional and district offices to follow existing agency procedures for assuring that on call contractors are not exceeding SBA subcontracting limits.

Agency Comments/Action

SBA agreed with the GAO recommendations for improving the management of the 7(j) program. SBA stated that it has already initiated actions on several GAO recommendations and will take additional corrective actions on others during fiscal year 1982. More specifically, SBA has sent guidance to the regions addressing the need for better coordination among Management Assistance, Financial Assistance, and Minority Small Business officials. In addition, SBA is now revising its standard operating procedures to ensure that subcontracting limits are not exceeded. The new procedures will also establish maximum allowable task-day costs. SBA has also begun to develop a written 7(j)(10) program plan.

Appropriations

7(j) Management Assistance - Small Business Administration, Minority Small Business and Capital Ownership Development

TENNESSEE VALLEY AUTHORITY

Tennessee Valley Authority Needs a Written Policy on the Use of Power System Revenues for Research, Development, and Demonstration

(EMD-81-16, 11-25-80)

Budget Function: Energy: Energy Supply (0271)

GAO evaluated the Tennessee Valley Authority (TVA) Office of Power's research, development, and demonstration programs. One objective was to compare the overall TVA level of research and development expenditures with that of investor-owned utilities.

Findings/Conclusions: TVA has an informal policy that limits expenditures of power funds for research and development to no more than 2 percent of annual gross power system revenues. That level of expenditures would place TVA among the utility industry leaders in research and development spending. At the time of the GAO review, TVA officials were uncertain about the criteria for identifying all expenditures that are subject to the 2-percent ceiling. It does not appear that the 2-percent ceiling has been exceeded, but TVA needs to establish a formal policy on what level of expenditures TVA will make for research and development and what constitutes those expenditures.

Recommendations: The TVA Board of Directors should present in a written policy the rationale for selecting that level of spending. The TVA Board of Directors should present in a written policy the criteria to be used in identifying the types of expenditures covered by the spending ceiling. The TVA Board of Directors should present, in a written policy, the level of power funds TVA is willing to spend annually on RD&D.

Agency Comments/Action

TVA disagrees with the GAO recommendations and will not be taking any actions.

Appropriations

Energy research and development - Tennessee Valley Authority, Office of Power

TENNESSEE VALLEY AUTHORITY

Tennessee Valley Authority Needs To Improve Security and Inventory Controls at Power Sites (EMD-81-60, 3-10-81)

Budget Function: Energy: Energy Supply (0271)

The responsibility for construction site and operating plant security has been debated within the Tennessee Valley Authority (TVA) for several years. This debate has occurred because no specific line of authority exists for security. GAO examined TVA procedures for security and those used to inventory and account for TVA assets.

Findings/Conclusions: Because no central authority exists for overall security at TVA facilities, major offices or divisions have essentially developed their own security programs with the Public Safety Service acting in an advisory capacity. Many of the policies and plans for security measures have not been implemented. Consequently, the number of thefts continues to rise, and TVA facilities remain vulnerable to vandalism and potential sabotage. Losses of both tagged and untagged equipment at TVA construction projects and powerplants are excessive, as evidenced by the large number of theft reports being generated from construction projects and by the substantial number of tagged equipment items not located during physical inventories at TVA fossil plants.

Recommendations: The TVA Board of Directors should appoint an official at general manager staff level to be responsible to the general manager for overall TVA security. This official should have the authority to resolve any interoffice disputes and remove any budgetary restrictions to implementing valid security recommendations. The TVA Board of Directors should place the Power Security Section, the Public Safety Service, and any other office involved in security under the direction of the TVA security official. This should ensure that policies can be implemented and enforced without unnecessary administrative levels. The TVA Board of Directors should ensure that the internal review branch continues to make periodic reviews and follows up on previous recommendations. Exit conferences should be held with the TVA security official in attendance. The TVA Board of Directors should require periodic progress reports to the general manager and Board of Directors concerning results in reducing thefts and vandalism and in improving control over TVA tools, equipment, and inventories. The TVA Board of Directors should issue instructions to: (1) establish standard accountability procedures for small tools at all construction projects and power production plants; (2) develop a system for conducting tagged equipment inventories at TVA construction projects at acceptable intervals; (3) standardize TVA's theft reporting practices at all its projects and powerplants; and (4) require that missing items be reported to the Public Safety Service for investigation.

Agency Comments/Action

TVA has agreed with GAO recommendations and is in the process of making the changes.

Appropriations

Operation and maintenance - Tennessee Valley Authority, Office of Power

Contract Conditions and Specifications Unduly Restricting Competition (GGD-81-39, 2-12-81)

Budget Function: Procurement--Other Than Defense (1007)

GAO addressed the restrictive conditions and specifications in U.S. Postal Service solicitations and contracts and their impact on Postal Service relationships with private industry, competition, and cost. The review discussed the Postal Service's formally advertised fixed-price contract for corrugated mail trays and sleeves to cover them in transit.

Findings/Conclusions: GAO found that: (1) the solicitation permitted bidding only by firms which could furnish all production requirements to all postal regions located throughout the United States; (2) the contract currently requires the corrugated trays and sleeves to be cut with a specific type of cutter; and (3) the contract requires the tray and sleeve be made from a very strong corrugated product.

Recommendations: The Postmaster General should direct the involved Postal departments to develop a solicitation which should at least resolve current restrictions by allowing multiple awards for different geographical areas. The Postmaster General should direct the involved Postal departments to develop a solicitation which should at least resolve current restrictions by permitting material which provides the best tradeoff between strength, durability, weight and cost. In addition to the current test program, industry should be asked to propose other new materials configurations which meet Postal needs. The Postmaster General should direct involved Postal Departments to develop a solicitation which should at least resolve current restrictions by deleting the requirement for any specific type of cutter.

Agency Comments/Action

The Postal Service has (1) agreed to allow multiple awards based on its geographical needs and (2) deleted the requirement for using only one type of die cutter. Testing is currently underway on trays with lesser strength material. The tests may be completed before the annual November purchase of mail trays and sleeves.

Appropriations

Procurement - United States Postal Service

UNITED STATES POSTAL SERVICE

Electronic Scale Procurement Needs Revision (GGD-81-53, 3-23-81)

Budget Function: Procurement--Other Than Defense (1007)

A review was undertaken on the restrictive conditions and specifications in Postal Service solicitations and their impact on Postal Service relationships with private industry, competition, and cost. Specifically, GAO reviewed the Postal Service's current procurement of electronic scales and its procurement strategy of competition by specification.

Findings/Conclusions: In its review, GAO found that the Postal Service has contracted for electronic scales, which will serve as the standard electronic scale for the future. The first article delivery of the scales was delayed 3 months and did not pass the required quality control tests. A second scale, which has also been received, experienced problems but received conditional approval on the basis of independent environmental and National Bureau of Standards tests. To date, the Bureau's report on these tests has not been received. However, further testing at the Postal Service's research and development facilities showed that the scale still does not meet the Postal Service's specifications. With regard to the possibility of shifting the Postal Service's current procurement strategy, GAO found that the procurement strategy for the electronic scale has been to standardize program needs using the Postal Service's specification which requires a unique item. This single snapshot of program needs can have negative results in the case of a technologically advanced item in a rapidly evolving field where both the Postal Service's needs and commercial product cost and capability can be expected to change with user experience and further advancements in the field. In such circumstances, the preferred procurement strategy would be to select from existing commercial products those which most nearly meet the Postal Service's needs.

Recommendations: The Postal Service should assemble a top level team to assess at the earliest possible date whether the current contract should be continued or terminiated. The Postal Service should limit scales acquired under the current contract, should it be continued, to the number needed for further user experience and comparisons with commercially available scales. In no event should the Service acquire a unit inferior to what is commercially available. The Postal Service should allow its regions to gain more experience with commercially available electronic scales to further define user needs.

Agency Comments/Action

The Postal Service (1) is now doing final tests on the contracted for electronic scale to see if it will either cancel the contract for inability to pass first article tests or buy a reduced number to use in comparison testing with other commercial scales; and (2) has purchased about 150 and is buying about 1900 more commercial scales to use at various locations for determining actual service needs.

Appropriations

Procurement - United States Postal Service

Planned Expansion of Hines Supply Depot Has Not Been Justified (PSAD-80-31, 2-26-80)

Budget Function: Veterans Benefits and Services: Other Veterans Benefits and Services (0705)

The Veterans Administration (VA) planned to expand the Hines Supply Depot to meet projected inventory increases. The depot is one of three responsible for storing and distributing medical supplies and food to VA medical centers and other Government facilities. VA hired a private consultant to calculate future warehouse space requirements and design a new depot complex to meet projected growth. For years, VA has predicted that the depot would run out of space, but these predictions have not materialized.

Findings/Conclusions: The Government's policy of relying more on commercial supply source and distribution channels than on in-house storage facilities was not considered in the VA space requirements projection. However, VA officials stated that they had reduced the number of centrally managed stock items as a direct result of their efforts to implement the policy. The Marketing Center determines what, how much, and when supplies enter the supply depot. Yet, the record indicated that it provided little input to the space assessment. VA used an unreliable indicator, projected dollar growth, to demonstrate a need for additional space. Alternatives to the expansion plan such as reducing inventory levels or leasing external storage space were not fully considered. Office of Management and Budget guidelines were not followed. VA did not consider critical cost factors such as the Government's cost to finance the expansion and the cost of inflation.

Recommendations: The Administrator of Veterans Affairs should direct the Chief Medical Director of the Department of Medicine and Surgery to: delete the Hines Depot expansion project from the 1981 budget request; reassess Hines' need for space, considering the impact of the "buy commercial" policy, consulting with Marketing Center officials, and using reliable indicators of growth; and, if the need for more space can be demonstrated, fully assess alternate solutions, considering all cost factors.

Agency Comments/Action

The project was not started in fiscal year 1981 as originally planned. Funds for the project in the amount of $9 million have been requested in the fiscal year 1982 budget.

Appropriations

Construction - Veterans Administration

Appropriations Committee Issues

GAO continues to believe that the need for the Hines Depot expansion is suspect and should be challenged.

VETERANS ADMINISTRATION

VA Must Strengthen Management of ADP Resources To Serve Veteran's Needs (FGMSD-80-60, 7-16-80)

Budget Function: Automatic Data Processing (1001)
Legislative Authority: Automatic Data Processing Equipment Act (P.L. 89-306). F.P.M.R. 101-35. OMB Circular A-71.

A review was undertaken of the Veterans Administration's (VA) management and use of its automated data processing (ADP) resources. VA uses computers extensively to aid in administering its various programs. Under the direction of its Office of Data Management and Telecommunications, VA operates six ADP centers and has a total staff of about 2,000. In addition to this ADP capability, VA has at least 400 minicomputers located at 172 VA medical centers in the United States and Puerto Rico. An estimated $113 million was spent in 1979 for ADP system support, and VA expects to spend substantially more in the near future. Currently, VA has three major system development efforts underway. Two deal with its compensation, pension, and education applications, and the third effort deals with the development of a Health Care Information System.

Findings/Conclusions: In its review, GAO found that VA needs to make better use of its ADP resources if it is to effectively support veterans' needs. A master ADP plan, guided more by overall ADP needs than by parochial wants, must be developed and followed. Serious weaknesses in the management of ADP resources can adversely affect the acquisition, development, and maintenance of ADP systems. Some of the weaknesses GAO found present in the VA ADP system include: (1) computer acquisition practices that do not meet user needs or comply with Federal policies; (2) software work approval practices that do not assure that resources spent on software are channeled to the most important projects; (3) ineffective control of software work in process; (4) poorly coordinated use of data processing by VA hospitals; and (5) a need for more systematic and responsible involvement of hospitals in planning for a critical Health Care Information System estimated in 1978 to cost $520 million. Experience has shown that when users do not participate in a responsible manner in the development of a system, the system is destined for failure.

Recommendations: The Administrator of Veterans Affairs should: (1) make a firm commitment to competitive procurement and establish management procedures as well as a formal planning process that will further the prompt competitive acquisition of the correct type and size of ADP equipment; (2) strengthen the planning process by requiring wider user participation, a distinction between required and discretionary software work, and more accountability at the senior management level; (3) establish a staff dedicated to performing discretionary software work such as development, redesign, enhancement, and conversion; (4) adopt and act to enforce the management techniques and procedures being proposed for controlling software work; (5) establish better coordination of hospitals' use of ADP resources; and (6) with the aid of users, analyze more thoroughly the health care system being planned. This analysis should include a detailed study of available capabilities in-house, in other Federal agencies, and in the private sector. Congress should withhold further funding for the Health Care Information System until the Appropriations Committees are satisfied that VA will implement the substance of the recommendations contained in this report.

Agency Comments/Action

The agency initiated actions to comply with several of the recommendations about the same time the report was published.

Appropriations

Data processing appropriations - Veterans Administration

Appropriations Committee Issues

The Committees should ascertain whether VA has implemented the recommendations before approving large expenditures for an automated health care information system.

VETERANS ADMINISTRATION

VA Improved Pension Program: Some Persons Get More Than They Should and Others Less (HRD-80-61, 8-6-80)

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604)
Legislative Authority: Social Security Act.

Congress hoped that the law improving pension programs for needy veterans which went into effect January 1, 1979, would enable veterans and their survivors to receive benefits above the poverty level and help them avoid turning to welfare, such as the Supplemental Security Income (SSI) program provides.

Findings/Conclusions: Some couples who receive SSI and VA pensions receive more in benefits from these two programs than do other couples with similar or smaller incomes from other sources. The principal coordination of benefit information between VA and the Social Security Administration (SSA) occurs through automated data exchanges. Some changes are needed in this coordination to improve the accuracy of benefit payments by VA and to eliminate the exchange of unnecessary records. GAO estimates that $14.5 million of inaccurate pension payments were made, principally in 1978. This consisted of: (1) $9.6 million in overpayments because the veterans and/or their spouses failed to report to VA receipt of social security benefits and VA did not use the benefit data provided by SSA in the January 1979 data exchange; (2) $1.7 million in overpayments and $0.3 million in underpayments substantially because one of the matching characteristics SSA used was not on the VA records; (3) $2.0 in overpayments because veterans and/or their spouses did not accurately report receiving SSA black lung benefits; and (4) $0.9 million in underpayments because VA pensioners improperly reported their SSI benefits as social security benefits. VA is providing SSA, in the quarterly data exchange, an estimated 5.1 million unneeded records because it did not use the SSI indicators to limit the number of records provided. Additionally, VA is unnecessarily requesting SSA data for an estimated 618,700 known deceased veterans in the annual data exchange.

Recommendations: The Secretary of Health and Human Services should direct the Commissioner of Social Security to immediately notify SSI-VA recipients residing in those States and the District of Columbia where Medicaid eligibility is not directly related to SSI eligibility that they must file for VA improved pension benefits and elect such benefits if they are higher than VA benefits presently being received. The Secretary should revise Health and Human Services regulations for the SSI program so that VA pension benefits received by a veteran ineligible for SSI will be counted as income to the spouse of the veteran in determining the eligibility of the spouse and be allocated and treated in the same manner as other Federal benefits not based on need. The Administrator of Veterans Affairs should: (1) use the SSA annual data exchange to identify and adjust pension payments to pensioners who did not report their social security benefits and have not yet been detected; (2) establish a data exchange to verify Federal Black Lung benefits and review other Federal benefit programs to determine the need for, and feasibility of, obtaining benefit information from other agencies; and (3) stop providing records during the annual data exchange on veterans deceased more than 1 year. The Administrator should also stop providing records during the quarterly exchange for pensioners who are not SSI recipients. In this regard, the Commissioner of Social Security should provide VA sufficient information to identify those pensioners who are SSI recipients. The Administrator and Commissioner should also take the necessary action to resolve identification problems in the annual data exchange. VA should ask SSA to search for surviving spouses by using, when provided, a spouse's social security number.

Agency Comments/Action

The Secretary of Health and Human Services generally agreed with the recommendations. In March 1981, SSA notified SSI-VA recipients whose Medicaid eligibility is not directly related to SSI eligibility that they must file for VA improved pension benefits and elect such benefits if they are higher. As of June 1981, SSA is studying the policy of deeming VA pension benefits to a veteran's spouse for SSI purposes. In addition, SSA and VA agreed to interface their records daily and, when this is implemented in February 1982, SSA will provide VA with sufficient information to identify its pensioners who are also SSI recipients and to resolve other identification problems.

Appropriations

Nonservice-connected pensions - Veterans Administration

Appropriations Committee Issues

The House and Senate Appropriations Committees should assess the adequacy of actions taken by VA and SSA to implement the recommendations.

VETERANS ADMINISTRATION

Legislation Plus Aggressive Action Needed To Strengthen VA's Debt Collection (HRD-81-5, 2-13-81)

Budget Function: Veterans Benefits and Services: Veterans Education, Training, and Rehabilitation (0702)
Legislative Authority: P.L. 96-466. 5 U.S.C. 5514(a). 28 U.S.C. 2415. 31 U.S.C. 952.

GAO was asked to study the feasibility of resuming collection action on education assistance overpayments written off as uncollectable by the Veterans Administration (VA) through the use of generally accepted private-sector debt collection practices. Special attention was given to the reporting of delinquent and terminated accounts to commercial credit bureaus as a means of motivating veterans to repay their debts to the Government.

Findings/Conclusions: GAO obtained a random sample of commercial credit reports on veterans whose accounts had been terminated as uncollectable and found that most of the veterans were employed, had an established history of paying their private-sector creditors, and had private-sector lines of credit equal to or greater than the amounts owed to VA. Several factors have hampered the VA debt collection efforts and contributed to a large volume of educational assistance overpayment accounts terminated in recent years. GAO believes that the most significant problem is that veterans have been able to ignore the demands of VA for repayment with little or no fear of the adverse actions which would normally result from failure to pay debts owed to private-sector creditors.

Recommendations: Congress should enact legislation to amend 5 U.S.C. 5514(a) to permit involuntary collection of general Government debts from the current salary of Federal employees. Congress should enact legislation to specify that the 6-year statute of limitations contained in 28 U.S.C. 2415 applies only to court action by the Government, and that it does not include administrative collection actions by Federal agencies, such as offsetting uncollectable debts owed by Federal employees against their final salary payments or retirement benefits. Congress should monitor VA collection activities to ensure prompt and effective implementation of the debt collection provisions of Public Law 96-466. The Administrator of VA should, on a test basis, independently verify the accuracy of investigative credit report information. The Administrator of VA should combine terminated and current overpayments of individual debtors so the full debt amount is pursued. The Administrator of VA should instruct VA regional offices to deduct outstanding overpayments from special benefit payments. The Administrator of VA should, to the maximum extent practicable, require payment in full rather than repayment plans for debts disclosed when matching guaranteed home loan applications with educational assistance. The Administrator of VA should, when possible, obtain debtor ability-to-pay information in a more economical manner, such as from commercial credit bureau reports. The Administrator of VA should require commercial lenders to give VA veteran identification information on applicants for automatically guaranteed home loans so VA can check for indebtedness before the loans are closed. The Administrator of VA should implement immediately the debt collection provisions of Public Law 96-466 which (1) permit VA to report delinquent and terminated accounts to commercial credit bureaus, (2) give VA attorneys the authority to litigate debt collection cases, and (3) require VA to charge interest and recover administrative collection costs on debts owed to VA. The Administrator of VA should implement a program to periodically match delinquent and terminated educational assistance overpayment accounts with computer listings of current Federal civilian and military personnel. The Administrator of VA should resume collection action on terminated educational assistance overpayment accounts using the collection methods discussed in this report.

Agency Comments/Action

VA generally concurred with the GAO recommendations and has taken action to implement some of them. However, VA indicated that additional computer capability is needed to fully implement some of the recommendations.

VETERANS ADMINISTRATION

VA Needs a Single System To Measure Hospital Productivity (AFMD-81-23, 3-24-81)

Budget Function: Health: Health Care Services (0551)
Legislative Authority: P.L. 93-82.

GAO was requested to compare the productivity of Veterans Administration (VA) hospitals with that of private and public sector hospitals, outlining the reasons for any differences found. Particular interest was expressed in the measurement systems used to make the comparison.

Findings/Conclusions: GAO was unable to perform more than a limited comparison of VA hospital productivity with that of non-VA hospitals or with other VA hospitals because of inadequate productivity measurement data. VA has a few partly developed productivity measures, but they cannot easily be used to compare with non-VA hospitals because of the differences in the methods of measuring resources used and services provided. A similar lack of uniformity hampers comparisons between VA hospitals. Although efforts are underway to establish several management information systems which could provide productivity measures, these are not yet completed and, if installed as currently planned, will overlap each other. Measurement of productivity provides managers with information for controlling and budgeting functions, maintaining accountability, linking individual and organizational performance with aspects of personnel management, and improving productivity. One way these measures can be used to improve productivity is by comparing productivity levels of similar operations to determine the method of conducting the operations. GAO concluded that VA managers have little information to support their own efforts either to improve productivity or control resources through the budget process.

Recommendations: The Administrator of Veterans Affairs should establish a schedule for developing an adequate, single, hospital productivity measurement system for the entire Department of Medicine and Surgery using one of the systems currently being developed as a basis. A system guidance role should be assigned to an agencywide, user-oriented body such as the Multi-Level Care Steering Committee, which would have responsibility for ensuring that: (1) the measurement system is coordinated with other management information systems; (2) duplicate data collection is eliminated; (3) data collected and reports developed are uniform across appropriate units of the agency; and (4) an annual status report is provided to VA management, the Office of Management and Budget, and the appropriations committees of Congress.

Agency Comments/Action

VA agreed that there is a need for an adequate integrated Department of Medicine and Surgery-wide hospital productivity measurement system based on one of the systems currently being developed. It also concurred with the GAO recommendation that a system guidance role should be assigned to an agency-wide coordinating body such as the Multi-Level Care Steering Committee. The Chief of the Department of Medicine and Surgery has taken action to implement these recommendations.

Appropriations

Medical care - Veterans Administration, Department of Medicine and Surgery

Appropriations Committee Issues

It is suggested that the Committees monitor VA to assure that it is implementing these recommendations in accordance with its commitments.

VETERANS ADMINISTRATION

DEPARTMENT OF MEDICINE AND SURGERY

Better Guidelines Could Reduce VA's Planned Construction of Costly Operating Rooms (HRD-81-54, 3-3-81)

Budget Function: Veterans Benefits and Services: Hospital and Medical Care for Veterans (0703)

The Veterans Administration (VA) is planning to spend more than $1 billion to replace 10 of its medical centers. Each replacement center will have a surgical suite, which is among the most costly hospital departments to construct and operate.

Findings/Conclusions: In reviewing operating room utilization at centers that VA intends to replace, GAO found that, on the average, the 74 operating rooms at these centers were idle about 50 percent of the time that they were available for scheduled surgery. The current planning criterion used by VA calls for 1 operating room for every 28 surgical beds. The continued use of this criterion could result in overconstruction of operating rooms with resulting low utilization. In developing its criterion, VA did not recognize that all patients admitted to surgical beds do not undergo surgery. VA did not fully recognize the significant variation among medical centers in the type of surgical procedures performed and the length of time different surgical procedures take. Average operating times varied significantly among VA medical centers. Surgical procedures generally performed by medical school residents at affiliated centers took longer than similar procedures performed by VA staff at nonaffiliated centers. GAO developed a model for planning operating rooms which focused on the unique surgical workload characteristics of each VA center. It showed that VA could handle the surgical workload with 22 fewer operating rooms than planned using the present criterion, a potential $3.5 million saving. VA assigned more operating room nurses than needed to handle the surgical workload due to this criterion, and savings could be realized if VA made use of less skilled personnel to do many of the nonprofessional tasks now handled by operating room nurses.

Recommendations: Congress should not approve any funding requests for new or replacement surgical suites in VA centers based solely on room-to-bed ratios, unless the planning is so far along that adjusting the surgical suite(s) planned would not be economically feasible. The Administrator of Veterans Affairs should direct the Chief Medical Director to better use skilled operating room nurses by assigning non-professional tasks to less skilled personnel. The Administrator of Veterans Affairs should direct the Chief Medical Director to develop staffing guidelines for operating room nurses based on the number of operating rooms needed to handle the surgical workload. The Administrator of Veterans Affairs should direct the Chief Medical Director to use operating room estimates obtained from GAO's model, or a similar workload model, to reassess the number of operating rooms needed at the Minneapolis VA Medical Center and use such a model for all future construction proposals submitted to Congress. If, in VA's judgment, more operating rooms are needed than called for by the workload model, the Chief Medical Director should be required to justify the additional rooms. The Administrator of Veterans Affairs should direct the Chief Medical Director to discontinue use of current VA operating room planning criterion in favor of a planning methodology based on surgical workload for new or replacement operating rooms similar to the one developed by GAO, with the aim of achieving an 80 percent operating room utilization level.

Agency Comments/Action

VA agreed with some of the GAO recommendations and stated that it would use the GAO model for the next surgical construction project going into the design phase. However, VA did not agree with two of the recommendations and has done nothing to implement them.

Appropriations

Medical care - Veterans Administration

Appropriations Committee Issues

The Committees should require VA to justify operating room construction using the GAO model.

VETERANS ADMINISTRATION

DEPARTMENT OF MEDICINE AND SURGERY

VA Home Care Program Is a Cost-Beneficial Alternative to Institutional Care and Should Be Expanded (HRD-81-72, 4-27-81)

Budget Function: Veterans Benefits and Services: Hospital and Medical Care for Veterans (0703)
Legislative Authority: Veterans Omnibus Health Care Act of 1976 (P.L. 94-581).

Home health care is generally recognized as a beneficial and cost-effective alternative to prolonged hospital and nursing home care. GAO reviewed the Veterans Administration's (VA) hospital-based home care program. The objective of the review was to evaluate the program's effectiveness as an alternative to institutional medical care and its potential for expansion.

Findings/Conclusions: GAO believes that the potential for program expansion exists. GAO found that many patients in VA medical centers could have used the home care program. However, VA has not attempted to identify and project the number of veterans suitable for home care or to expand the program since 1974. VA has allowed medical centers a great deal of flexibility in implementing their programs while providing little guidance and monitoring. VA has not established clearly defined objectives for the program conveying VA home care goals. This lack of guidance limits program effectiveness and has resulted in wide variations in the home care programs.

Recommendations: The Administrator of Veterans Affairs should direct the Chief Medical Director to provide the hospital-based home care program with adequate funding so that it can be expanded. The Administrator of Veterans Affairs should direct the Chief Medical Director to develop guidelines that assure more uniformity and consistency among individual home care programs. The Administrator of Veterans Affairs should direct the Chief Medical Director to identify the number of veterans in VA medical facilities who are suitable for home care placement. The Administrator of Veterans Affairs should direct the Chief Medical Director to conduct periodic program evaluations to assure that individual home care programs are carried out in accordance with agency policy and program objectives. The Administrator of Veterans Affairs should direct the Chief Medical Director to clearly define the objectives of the VA home care program, emphasizing the cost benefits as a primary goal, and convey the objectives to all medical centers.

Agency Comments/Action

VA states in its June 15, 1981, comments that it is trying to implement the recommendations as resources permit.

Appropriations

Medical care - Veterans Administration

Appropriations Committee Issues

The Committees should insure that VA plans to provide adequate funding for its home care program.

VETERANS ADMINISTRATION

DEPARTMENT OF MEDICINE AND SURGERY

Providing Veterans With Service-Connected Dental Problems Higher Priority at VA Clinics Could Reduce Fee-Program Costs

(HRD-81-82, 6-19-81)

Budget Function: Veterans Benefits and Services: Hospital and Medical Care for Veterans (0703)
Legislative Authority: Veterans' Administration Physician and Dentist Pay Comparability Act of 1975.

GAO was requested to review selected aspects of the Veterans Administration's (VA) dental program.

Findings/Conclusions: The review showed that fewer veterans with service-connected dental conditions would be referred to private dentists and, as a result, substantial savings would be achieved if VA: (1) established priorities for providing dental care in accordance with the Veterans Health Care Amendments of 1979; (2) insured that care was provided only to veterans eligible for care; and (3) made better use of its dental personnel. The fee-basis was intended to be used only if a veteran was unable to obtain care from a VA facility because of geographical inaccessibility or because of the inability of the VA facility to provide the type of care required. However, VA uses the fee program primarily as a means of expanding its ability to provide routine dental services to inpatients with nonservice-connected dental conditions. By reducing the number of ineligible veterans provided dental services, VA clinics could increase their capacity to treat outpatients with service-connected dental conditions and further reduce fee-basis referrals. In a 1973 report, GAO stated that VA could reduce the number of fee-program referrals by increasing the productivity of VA dental clinics.

Recommendations: The Administrator of Veterans Affairs should establish workload indicators for dental personnel. The Administrator of Veterans Affairs should take steps to improve the reliability of data reported under the AMIS program. The Administrator of Veterans Affairs should implement the recommendations in the March 1980 GAO report that VA expand the use of expanded function dental auxiliaries. The Administrator of Veterans Affairs should adapt the American Dental Association and DOD dental procedures reporting systems for use by VA dental clinics. The Administrator of Veterans Affairs should direct the Medical Administrative Service at each VAMC to determine whether a veteran has a service-connected dental condition at the time of admission. The Administrator of Veterans Affairs should establish a uniform 40-mile definition of geographical inaccessibility and require specific justification from VA clinics for any deviation from the rule. The Administrator of Veterans Affairs should direct VA dental clinics to place a higher priority on the provision of dental care to outpatients with service-connected dental conditions than on the provision of routine dental care to inpatients with no service-connected dental condition. The Administrator of Veterans Affairs should direct VA clinics to provide dental examininations to inpatients not service connected for dental conditions only if the clinic's staff and facilities are not needed for the provision of care to veterans service connected for dental conditions unless (1) the admitting and/or attending physician determines that there are compelling medical reasons for giving the veteran an examination; or (2) the veteran has a dental emergency. The Administrator of Veterans Affairs should enforce established procedures for authorizing fee-basis care, including requirements that: (1) fee-basis care be authorized only if the clinic cannot schedule treatment within 60 days, considering the total clinic resources; (2) the availability of care at VA facilities near the veteran's home be determined before fee-basis care is authorized; and (3) fee-basis care not be a prerogative of the veteran. The Administrator of Veterans Affairs should strengthen procedures for authorizing outpatient dental care for nonservice-connected dental conditions to insure that such care is authorized only if treatment was begun while the veteran was an inpatient and if completion of the treatment is necessary in relation to a medical problem for which it was prescribed. The Administrator of Veterans Affairs should implement recommendations made in the 1973 GAO report to: (1) expand the use of two-chair dentistry; (2) expand the use of dental hygienists and assistants; (3) expand the use of trained medical administrative personnel to perform fee program administrative duties; and (4) reduce the number of broken appointments.

Agency Comments/Action

GAO has not received comments from VA as of October 30, 1981.

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Medical care - Veterans Administration

VETERANS ADMINISTRATION

DEPARTMENT OF MEDICINE AND SURGERY

Cost of VA Medical Care to Ineligible Persons Is High and Difficult To Recover (HRD-81-77, 7-2-81)

Budget Function: Veterans Benefits and Services: Hospital and Medical Care for Veterans (0703)
Legislative Authority: Claims Collection Act (31 U.S.C. 951 et seq.). Tax Reform Act of 1976 (26 U.S.C. 6103(M)(2)). 4 C.F.R. 2.

GAO reviewed the extent to which the Veterans Administration (VA) has strengthened its administrative controls to preclude providing medical care to persons who were found not to be properly entitled to veterans' benefits.

Findings/Conclusions: Despite recommendations previously made by GAO to improve eligibility determinations, VA has done little to prevent or minimize the abuse of medical benefits by ineligibles. Individuals who are not legally entitled to VA benefits receive medical care in VA facilities before and after VA determines they are ineligible. During a 27-month attempt to collect $15 million in costs incurred as a result of providing medical care to ineligible persons, VA collected $1.2 million and wrote off $6.5 million of the remaining debts as uncollectable. A major cause of this problem of providing care to ineligibles is the VA policy of denying care to individuals pending positive determination of their legal entitlement to VA benefits. No centrally maintained file exists on individuals who have been determined ineligible for VA benefits. An improved information and notification system is needed to reduce the incidence of ineligible medical care and to eliminate duplicative paperwork in determining eligibility. VA does not have an effective system for billing and collecting debts from ineligible persons who receive medical care or an accurate account of all the care provided to ineligibles. VA has not taken collection actions on all of the moneys it is owed and, where such actions have been taken, it has failed to send out timely bills which has decreased the likelihood of its recovering the costs of care provided. Recently enacted legislation may not significantly improve VA collection of medical debts since many ineligibles are transients with limited financial resources.

Recommendations: The Administrator of VA should direct the Chief Benefits Director to require medical centers to actively follow up on their requests for eligibility determinations. The Administrator of VA should direct the Chief Benefits Director to instruct medical centers to promptly bill ineligible individuals for all care provided. The Administrator of VA should direct the Controller to reconcile the quarterly report on medical accounts receivable to insure that it agrees with the general ledger account. The Administrator of VA should direct the Chief Benefits Director to update Beneficiary Identification and Records Locator Subsystem records to the extent possible based on available veterans' claims folders. The Administrator of VA should direct the Chief Benefits Director to direct the regional offices when assisting medical centers to make certain that they provide the centers with decisions on whether individuals with other than honorable discharges are entitled to VA benefits. The Administrator of VA should direct the Chief Medical Director to establish a formalized system in which VA medical centers close to each other are notified when an individual has been determined ineligible for VA benefits. The Administrator of VA should direct the Controller to analyze the quarterly report periodically to identify and take corrective actions on centers which are not disposing of debts promptly. The Administrator of VA should direct the Chief Benefits Director to instruct medical centers to complete applications for medical benefits and records of examination, including all available service information and indications as to whether prompt medical care is needed. The Administrator of VA should direct the Controller to provide a copy of the reconciled report to the Department of Medicine and Surgery for analysis to identify and to take corrective actions on an as-needed basis. The Administrator of VA should direct the Chief Medical Director to provide care to individuals whose eligibility cannot be verified at the time of application only if, upon examination, VA physicians determine that prompt medical care is needed. If there is no need for prompt medical attention, VA personnel should inform the individual that further care cannot be provided until his or her eligibility can be determined.

Agency Comments/Action

The agency was not given the opportunity to comment on the draft report and has not met Section 236 requirements as of October 7, 1981.

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